

**E IMPACT OF AGENT BANKING ON THE FINANCIAL HABITS AND
ACCESSIBILITY OF FINANCIAL SERVICES FOR RURAL COMMUNITIES IN
MUKONO DISTRICT**

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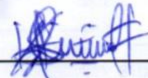


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DECLARATION


I hereby declare that this research study has never been presented for any academic award in any institution or university. All sources used in this research study have been rightfully acknowledged.

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APPROVAL

I acknowledge that this dissertation titled: "The impact of agent banking on the financial habits and accessibility of financial services for rural communities in Mukono district" has been under my supervision and is ready for submission.

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DEDICATION

To my beloved family and parents, for their unending financial, moral, and spiritual support throughout my education. Your sacrifices have made this milestone possible.

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ACRONYMS

ABC - Agent Banking Company

BOU - Bank of Uganda

POS - Point of Sale

SMEs - Small and Medium Enterprises

UCU - Uganda Christian University

UGX - Uganda Shillings

URA - Uganda Revenue Authority

VSLAs - Village Savings and Loan Associations

ABSTRACT

The main aim of this study was to find out the impact of agent banking on the financial habits and accessibility of financial services for rural communities in Mukono District. The study was specifically carried out in Nakisunga and Nagojje sub-counties. To achieve this, the researcher used a cross-sectional survey research design. The sample size of 90 respondents was comprised of local farmers, traders, and civil servants. The primary data was collected using a structured questionnaire. The data was collected through face-to-face interviews. Once the data was collected, it was analyzed using SPSS Version 20.0.

The results of the research indicated that financial accessibility in rural areas has improved through agent banking. The respondents agreed that the agents are accessible since they are within walking distance. This has helped them save on the cost of transportation, which they used to spend going to Mukono Town. However, from the research, it was also established that the reliability of the agents is very low. The agents are often out of cash, and their networks are mostly unstable. This has resulted in rural residents not fully trusting their agents to keep their finances. The research results indicated that people are using the agents for withdrawal of cash and paying of bills but are still keeping their actual wealth in their informal VSLAs. The regression results showed that although proximity is good, reliability is the strongest factor for positive financial habits.

The conclusion of the study was that the issue of physical distance has been solved through agent banking, but the saving culture of the rural people has not changed completely since the system is not reliable. Based on these findings, the researcher recommended that commercial banks should support their agents by providing float loans so they always have cash. The banks should also work with telecom companies to make the network stable, and they should create a system that allows the local VSLAs to deposit their group savings directly through the agents.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter introduces a study about agent banking in Mukono. It explains the background of the study, the statement of the problem, the general and specific objectives, the research questions, the hypotheses, the scope of the study, and the justification for the research.

1.2 Background of the study

Financial inclusion is important for rural economic growth. However, many initiatives in Sub-Saharan Africa have not worked as well as expected. A major problem is that rural communities have poor adoption rates and limited access to physical banks. A good financial system is necessary for any area. In Uganda, rural communities do a lot of mobile money transfers, but they still struggle with formal saving. The traditional banking channels have not been enough for them, which leads to slow economic progress. Demirgüç-Kunt et al. (2022) state that when rural people fail to manage their cash flows, it leads to poverty at the household level. Because rural communities have a unique way of life, banking systems need to fit their daily habits instead of forcing them to travel far distances to town.

Most studies carried out in African countries indicate several factors, including proximity and transaction costs, as some of the core banking practices that have frequently been cited as drivers of financial inclusion in rural areas. **Adong and Mwaura (2018)** found that inefficient or lacking banking points have led to the financial exclusion of many communities. Along similar lines, **Munyegera and Matsumoto (2018)** argue that many rural dwellers in Africa fail because they do not make timely and key financial decisions resulting from the lack of adequate access and reliable services. Given the benefits of agent banking and financial accessibility, one would therefore wonder why some members of rural communities fail to utilize these services effectively.

Further, **Bongomin et al. (2018)** argue that even the basic form of agent banking deters many users because, to them, using agents does not provide a sense of security for their funds and thus impacts less on their habits. It therefore appears that many rural operatives are either unaware of the contributions of agent banking to their livelihoods or simply distrust the system.

This issue of maintaining informal financial habits among rural communities in developing economies like Uganda has attracted attention from researchers, professional bankers, financial institutions, economists, and policymakers. They stress that efficient use of agent banking channels through improved accessibility and habits is needed to support rural communities in proper decision making (**Mugarura, 2019**). The escalation of evidence on this issue has evoked a dilemma of whether rural communities in Uganda have and utilize proper agent banking services to generate the much-needed financial security. It is, therefore, imperative to study the phenomenon of agent banking practices of these communities and the extent to which these services influence their financial habits and accessibility.

1.3 Statement of the problem

Globally, the dialogue on economic development continues to center financial inclusion at the core of all poverty eradication strategies. Traditionally, brick and mortar banking models have dominated the financial services industry, but these models were, in fact, originally designed for urban, middle- to high-income dwellers. This model, therefore, resulted in millions of people in developing countries being completely "unbanked" and outside of the formal financial system. As a result, marginalized communities have had to resort to unsafe and often illegal means of financial management. In recognition of this enormous gap, global financial policymakers have since championed alternative models for delivering financial services to the masses. Agent banking was identified as one of the most promising models across the globe, particularly for commercial banks seeking to tap into new markets without incurring exorbitant costs of establishing physical branches. The ultimate goal, therefore, at a global level was to build robust economies from cash-

based, vulnerable economies, where all citizens, even in remote areas, could safely engage in economic activities, a fact also acknowledged by Demirgüç-kunt et al. (2022) who argue that failure to effectively manage cash flows leads to poverty at a household level.

Transitioning to the african continent, the narrative of financial inclusion takes on a unique and urgent tone. Sub-saharan africa, with its vast rural landscapes and historically underdeveloped financial infrastructure, presented a massive challenge for traditional banking models. A major problem has always been that rural communities have poor adoption rates and limited access to physical banks, which makes conventional banking almost impossible to scale effectively. Because rural communities have a unique way of life, banking systems need to fit their daily habits instead of forcing them to travel far distances to town. Most studies carried out in african countries indicate several factors, including proximity and transaction costs, as some of the core banking practices that have frequently been cited as drivers of financial inclusion in rural areas. However, adong and mwaura (2018) found that inefficient or lacking banking points have historically led to the financial exclusion of many communities across the continent. Similarly, munyegera and matsumoto (2018) argue that many rural dwellers in africa fail to thrive because they do not make timely and key financial decisions resulting from the lack of adequate access and reliable services. Yet, despite massive investments, bringing the physical infrastructure closer is only half the battle, as bongomin et al. (2018) point out that even the basic form of agent banking deters many users because it does not provide a sense of security for their funds.

Zooming into east africa, the financial landscape has been greatly altered by digital financial services and mobile money, yet a huge gap still exists as far as formal saving and access to formal credit are concerned. The region quickly became the epicenter of mobile money innovation globally, demonstrating that the locals were extremely accepting of non-traditional financial products. In spite of the explosive growth of simple mobile money transfer across east african borders, a critical component of the financial puzzle was still missing. Although people were able to transfer money from

one person to another, they still struggled greatly with formal saving. The traditional banking channels have simply not been sufficient for them, and this has resulted in sluggish economic growth and grassroots stagnation. The agent banking was highly advocated in the region to fill the gap that was present, focusing on providing the customers with a physical touchpoint for their digital funds. It has been argued that the quality of the agent network is not necessarily measured by the number of agents, but rather the quality of the agents in meeting the liquidity of the customers, also known as cash float. The failure of this leads to the complete cessation of the desired behavioral shift to formal finance.

This issue of maintaining informal financial behaviors among rural communities has attracted serious attention from researchers, professional bankers, and policymakers within Uganda. They emphasize the need to ensure the efficient use of agent banking channels through improved accessibility as a crucial requirement to assist rural communities in proper decision-making, as emphasized by Mugarura (2019). Although urban centers in Uganda have a flourishing digital finance platform, rural centers either remain unaware of the contribution that agent banking makes to their lives or simply do not trust the system. On paper, agent banking is the answer to financial exclusion in Uganda. By creating a bank within a retail shop in a rural area, the problem of traveling long distances is eliminated. Unfortunately, some rural areas in Uganda have failed to take these services seriously; a fact that has been officially noted by the Bank of Uganda (2020). Moreover, the importance of the agent network in Uganda has also been undermined by the fact that agents have been perceived to lack liquidity and have been used for withdrawals rather than savings—according to a study done by Tumwine et al. (2018).

Lastly, with a focus on the realities on the ground in rural Mukono district, the frustrating paradox of agent banking becomes glaringly obvious. In the sub-counties of Nakisungu and Nagojje, the reality on the ground does not align with the theoretical basis of agent banking. The expected behavior change from informal banking to formal banking has completely stagnated in these areas, even though the physical presence of the agent banking kiosks in the trading centers can be observed. The

physical bridge from the current state of informal banking to the future state of formal banking has been built, and the people are literally walking past the agent to hide their money under the mattress, so to speak. A large contributing factor for this phenomenon in rural mukono district is the unreliability of the system, which results in the people not trusting the agent with their money due to float shortages and unreliable telecommunication networks. Agent banking in rural mukono district has therefore eliminated the physical distance barrier, but the saving culture of the people still remains unchanged.

1.4 Purpose of the study

The main goal of this study is to ascertain the manner in which the rural communities in mukono district use agent banking services. Moreover, the study aims to understand the manner in which the use of agent banking services influences the financial accessibility and savings behavior of the community.

1.5 General objective

To find out the effect of agent banking on financial inclusion in rural areas.

1.6 Specific objectives

1. To establish a relationship between agent banking and financial inclusion.
2. To identify the challenges of agent banking on financial inclusion.
3. To establish strategies to improve challenges of agent banking.

1.7 Research questions

1. What is the effect of agent banking on financial inclusion in rural areas?
2. What is the relationship between agent banking and financial inclusion?
3. What are the challenges of agent banking on financial inclusion?
4. What strategies can be established to improve the challenges of agent banking?

1.8 Hypotheses

The study tested the following hypotheses:

- **H1:** There is a significant relationship between agent banking proximity and financial accessibility in rural Mukono.
- **H2:** Agent banking reliability significantly influences the financial habits (saving culture) of rural communities.

1.9 Justification

This study is very necessary because many people in the rural areas of Uganda try to save their money, but they end up failing after a few months because they cannot easily access the banks.

1.10 Scope of the study

1.10.1 Subject scope

This study focused on agent banking and financial habits as types of financial practices.

1.10.2 Geographical scope

The study boundaries were the sub-counties of Nakisunga and Nagojje.

1.10.3 Time scope

The research focuses on the window between 2018 and 2024.

1.11 Significance of the study

For the banking industry, this study serves as a reality check. It moves beyond the vanity metrics of 'number of agents deployed' to the more critical metric of 'active usage.' By exposing the hidden crisis of liquidity (float shortages), it offers a roadmap for banks to stop bleeding customers who try the service once, fail to withdraw cash, and never return.

Academically, this research shifts the spotlight from the agent to the user. While previous Ugandan studies have extensively covered agent profitability, this study provides rare empirical evidence on the behavioral side: specifically, how reliability issues (or the lack thereof) directly stunt the growth of a formal saving culture in rural areas

The study is also significant in the Ugandan context since it provides interesting insights on how utilization of agent banking is a necessity in contributing to rural accessibility. This will be of great help to the government in setting strategies that will encourage the utilization of these practices of agent banking and formal saving, respectively.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of past literature about agent banking.

2.1 The effect of agent banking on financial inclusion in rural areas

The introduction of agent banking has fundamentally transformed the landscape of financial inclusion, particularly for rural communities that were previously cut off from formal economic systems. By placing a bank inside a local retail shop, the logistical nightmare of traveling to town is solved. When banking services are taken nearer to the people in the village, it is evident that the rural economy becomes successful because people are able to access their finances on time without delays, as explained by Adong & Mwaura (2018). As a result of this, it is evident that a community can have good financial accessibility if it is surrounded by agents.

One of the most significant impacts of agent banking is the drastic reduction of transaction costs as well as the amount of time required to access financial services. Rather than taking the whole day to move to the urban centers to transact, the agent banking allows them to do the transactions at their locations. This helps them make quick financial decisions that support their livelihoods. Modern rural economies are concerned with the reduction of time spent traveling to urban centers, and agent banking provides evidence of how transactions can be handled locally. This is further coupled with the fact that these rural residents deal in small amounts which, if spent on transport, might deplete their savings, as noted by kasirye (2019).

Another major effect of agent banking on financial inclusion is its role in shifting resources from the informal sector into the formal banking system. Before the widespread deployment of agents, the lack of banks meant that resources were kept in livestock or cash, which was evident through the low levels of formal savings in rural areas. Agent banking serves as a means for shifting these resources into the

formal sector safely. In Uganda, Mugarura (2019) found out that because agents were located near the people, there was a big increase in the number of rural dwellers opening deposit accounts to avoid theft of their daily sales. This ensures that households in the study context do not suffer from theft of cash due to lack of secure storage. Over time, these positive financial habits enable rural households to manage their cash flows better, which is essential because failing to do so leads to poverty at the household level, according to Demirgüç-Kunt et al. (2022).

Agent banking also plays a vital role in what economists call consumption smoothing, which greatly enhances the financial resilience of rural communities. According to the consumption smoothing objective, which is a behavioral approach to finance, the agent should provide liquidity useful for emergencies. Adong and Mwaura (2018) explained that people are highly motivated to use these agents when they have emergencies because the speed of the transaction is fast. Individuals are also motivated to utilize these services to help them in the management of their emergencies effectively. Such a security-oriented perspective implies that agent banking should assist in guiding the user in his or her judgment of future financial needs. With the accessibility generated from a good agent network, financial stability during one period like harvest can be carried over to another period like planting.

The effect of agent banking extends deeply into the operations of rural micro and small enterprises. Demirgüç-Kunt et al. (2022) revealed that small enterprises that extensively populate the rural sector are profitable operations just like the enterprises in the formal business sector, but the absence of banking data makes it difficult to access loans. A comprehensive agent system makes it possible for entrepreneurs to access credit and save profits without closing their businesses to travel to town. Traders find local agents useful in making deposits, meaning an accurate network of agents is a vehicle to monitor financial flows in specific areas. Additionally, through the utilization of agents, the user will be in a position to provide essential records to potential lenders. In the Ugandan context, scholars have argued that the lack of proper access makes it impossible for rural businesses to grow.

In addition to physical infrastructure, the relationship between agent banking and financial inclusion is also closely related to behavioral change within the community. Financial habits can be defined as the behavioral characteristics of people regarding their financial management, and this is usually established over time depending on the convenience of access to financial services. Lakuma et al. (2019) argues that financial repression or lack of access leads to poor saving habits because individuals prefer to keep cash at home when the cost of accessing a bank is high. The objective of agent banking is to avail services that allow for frequent, low-value transactions that are useful to a wide variety of users who are mostly low-income earners. According to munyegera and matsumoto (2018), people in rural communities are encouraged to use agent banking because it gives them a way to keep their money secure, even though it is a new technology for many villagers. Breaking away from the lack of basic financial literacy helps the community avoid poor financial habits overall.

2.2 The relationship between agent banking and financial inclusion

The theoretical foundation of the relationship between agent banking and financial inclusion is deeply rooted in financial intermediation theory. this framework offers the economic rationale for why agents exist in rural sub-counties like nagojje . historically, the cost of building a brick-and-mortar branch in a sparsely populated village was simply too high for any bank to justify . the theory suggests that to bridge this gap, an intermediary is needed to slash the physical time and money a farmer spends traveling to town . by piggybacking on existing retail infrastructure, agent banking proves this theory in real-time because it brings the intermediation point directly to the village, theoretically removing the friction that keeps rural populations unbanked . because it involves a broader context of reducing friction in financial transactions, this theory is assumed to be the best for explaining why bringing services closer to the people improves efficiency and satisfies users . bringing banking closer has been noted to be one of the important factors influencing the financial habits of a community . research suggests that when the cost of accessing a bank is high, individuals prefer to keep cash at home . financial intermediation theory

therefore provides critical insights into how agent proximity can enhance the financial habits and inclusion of the community.

Another crucial theoretical perspective that explains this relationship is agency theory, which provides the lens for understanding the inherent risk in this banking model . in the traditional setup, a customer walks into a bank branch and trusts the institution, but in the agent model, that trust is delegated to a third party by the local shop owner . the principal, which is the bank, effectively loses direct control over the customer experience . the role of the agent is to represent the bank to the rural population . this theoretical advancement is used to justify why rural communities who trust their local agents would more likely achieve higher levels of financial inclusion as compared to those who do not utilize these agent services, according to kasirye (2019) . literature has it that most rural areas in uganda have not put enough emphasis on formal banking due to distance, limiting their chances of having reliable financial access from which accurate financial habits can be formed . failure to have reliable agents in the community might lead to high transaction costs, hence affecting the financial habits of rural dwellers in the long run.

the direct relationship between agent banking practices and financial accessibility is heavily centered on the concept of proximity. agent banking is the provision of banking services by a third-party agent to customers on behalf of a licensed financial institution . this implies that it is a mechanism that extends the reach of the bank into areas where it would be unprofitable to establish a branch . many past writers have stated that rural areas really need agent banking to help them access their money easily . high physical accessibility means a reduced distance to the service point, while high economic accessibility means the affordability of transaction fees . instead of spending a whole day traveling to the urban centers to bank, the agents allow them to handle their transactions locally . modern rural economies are concerned with the reduction of time spent traveling to urban centers, and agent banking provides evidence of how transactions can be handled locally . this is very important in enabling the rural residents to be up to date with their financial needs,

hence well-informed decisions that influence their livelihoods . these arguments collectively suggest that agent banking is positively linked to financial accessibility.

however, the positive relationship between these variables is deeply dependent on the operational reliability of the agents. it is argued that a good agent network is not only judged by how many agents exist but by how well the agents are able to meet the liquidity needs, specifically the cash float, of the customers . when analyzing the ugandan context, kasirye (2019) carried out a study looking at the problems of managing liquidity by agents in rural districts . his findings clearly showed that agents struggle a lot with float management because there are no nearby centers to rebalance their cash . because of this, he concluded that relying on agents for emergency medical funds is not very safe since transactions often fail. tumwine et al. (2018) further state that the usefulness of the agent network has been jeopardized by the view that the agents often lack liquidity and are only used for withdrawals, not savings, which has a great implication on the habits of the users . besides this, the lack of network stability in rural areas can harm their trust, hence affecting their usage in the long run . communities absolutely rely on correct agent services to make these baseline decisions.

when examining the relationship between agent banking and the evolution of a saving culture, the focus shifts to savings mobilization and consumption smoothing . the savings mobilization function refers to the way in which agent banking should provide an avenue for rural people to store their excess income safely . agent banking serves as a means for shifting these resources into the formal sector . the objective of agent banking is to avail services that allow for frequent, low-value transactions that are useful to a wide variety of users who are mostly low-income earners . agent services such as deposits and withdrawals in the context of uganda are therefore expected to give an advantage to the rural resident in terms of enhancing their saving culture . a combination of both accessibility and improved habits provides a basis for complete financial inclusion and also a basis for sound planning for the future . other factors held constant, a combination of proximity and reliability are very significant factors influencing the financial habits of the community . mugarura (2019) found out that

because agents were located near the people, there was a big increase in the number of rural dwellers opening deposit accounts to avoid theft of their daily sales.

finally, this relationship is often constrained by behavioral barriers such as the persistent fear of fraud and a lack of basic financial literacy. lakuma et al. (2019) made an exploratory investigation on trust in digital financial services in western uganda . the researchers concluded that rural communities do not use the available technology to the full extent due to fear of fraud . some people are completely against using agents, and they say they would rather focus on keeping their cash hidden at home or in their local village saving groups . some researchers also noted that because many rural residents lack basic financial literacy, they are rigid and just avoid the new agents entirely, which ends up leading to poor financial habits overall. bongomin et al. (2018) investigated the effect of financial skill on performance and revealed that most rural dwellers did not see the need to open bank accounts, which was regarded as a waste of money since they were not obliged to do so . financial access was found to be highly contributory to household stability, but without overcoming these literacy barriers, the relationship remains weak . they concluded by suggesting that rural dwellers should embark on capacity building in financial literacy for better habits.

2.3 The challenges of agent banking on financial inclusion

While agent banking is theoretically the perfect solution for rural financial exclusion, its practical implementation in rural areas faces numerous critical challenges. Despite the visible proliferation of agent kiosks in trading centers, the expected behavioral shift has stalled, leaving many communities under banked. Residents continue to rely heavily on informal village savings and loan associations or simply keep cash at home, effectively walking past the agent to hide their money under the mattress. The physical bridge to the bank has been built, yet for reasons not fully understood be it unreliable networks or a lack of trust the community is refusing to cross it completely.

One of the most prominent challenges limiting the usage and impact of agent banking is the severe liquidity crisis, commonly referred to as a lack of float. A good agent network is not only judged by how many agents exist but by how well the agents are able to meet the liquidity needs of the customers. In a study looking at the problems of managing liquidity by agents in rural districts, Kasirye (2019) used a cross-sectional survey and clearly showed that agents struggle a lot with float management because there are no nearby centers to rebalance their cash. Because of this, he concluded that relying on agents for emergency medical funds is not very safe since transactions often fail. Tumwine et al. (2018) further emphasized that the usefulness of the agent network has been jeopardized by the view that the agents often lack liquidity and are only used for withdrawals, not savings, which has a great implication on the habits of the users. Rural dwellers do not trust the agents to store their money because the agents are often out of cash, hence the rural dwellers keep their real savings with their own village savings groups.

Besides the absence of physical cash, the poor technological base is a major impediment to the successful uptake of agent banking. The absence of network stability in rural areas is a major threat to user trust, hence affecting them in the long term. The major reason for low motivation among non-users of agent banking is the deeply rooted fear of the network failing at a critical point of transaction. This reality often denies the benefits of agent banking. On numerous occasions, the rate of the transaction cannot be ascertained simply because the network is offline. When the network of the system is unstable, the user is denied a chance, and this leads to a rigid attitude of simply avoiding the new agents, thus resulting in poor financial habits.

The continued fear of fraud, as well as a lack of trust in digital financial systems, adds another layer of complexity for agent banking. Agency theory also shows that, for the principal, which is the bank, there is a loss of direct control over the customer experience, given that the local shop owner has entrusted a third party with this responsibility. Bongomin et al. (2018) showed that even the simplest form of agent banking is a barrier for potential customers, given that, for them, agents do not provide a sense of security for their funds. Lakuma et al. (2019) studied trust in

digital finance in western Uganda and showed that the rural population is not utilizing the available technology to the maximum possible extent due to fear of fraud. This profound lack of trust means that even when an agent is physically accessible, users may still shy away because they fear theft by the agent or simply lack privacy, as the agent may know their account balances.

Another critical challenge is the significant deficit in financial literacy among rural populations. Munyegeera and Matsumoto (2018) carried out a study on the accounting information needs in relation to technology and found that small rural users did not possess enough skill to utilize pin-based systems. The rural user who is normally the one that manages the household finances had limited proficiency in using POS machines and was unaware of the advantages of keeping money on the card. This lack of knowledge or training on how to use the machines prevents meaningful engagement with the formal financial sector. As a result, many rural dwellers did not see the need to open bank accounts, which was regarded as a waste of money since they were not obliged to do so.

Finally, while agent banking is designed to reduce the high transportation costs associated with visiting a traditional bank branch, the transaction fees charged by the agents can still pose a challenge to widespread inclusion. Nantongo and Mugisha (2019) conducted a study to find out what makes rural communities satisfied with agent banking and found out that very few knew what the fee structure they were being charged was. The high transaction fees charged by the bank may also discourage them from frequently transacting, especially for those who trade in very small amounts of money. However, if an individual feels they are losing too much of their daily income to invisible digital fees and charges, they will be forced to go back to their cash economy habits.

2.4 Strategies to improve the challenges of agent banking

In order to address the numerous challenges that are hindering the full adoption of agent banking, commercial banks and the government at large have to come up with

various strategies that directly address the issues of the rural customers. The most important strategy is to address the liquidity problem that the agent faces on a daily basis. The rural customers do not trust the agent with their money because of the liquidity problem, and this is the reason why the commercial banks are highly recommended to provide the agent with float loans so that the agent has money to give to the customers, especially during the period when most of the customers want to withdraw money at once. Additionally, as noted by mugarura (2019), the commercial banks have to increase the number of agents in the rural areas to reduce the distances even further, as the current number of agents is being overwhelmed by the demand for float cash.

Apart from the provision of float, the infrastructure for the agents should be greatly enhanced so that the system does not shut down during the course of the transaction. The banks should also work closely with the telecom operators to ensure the network is stable. This is a basic need for the creation of confidence among the rural populace. When the network is reliable, the user does not have to worry that their money will be lost on the way or that they will be stuck at the agent's kiosk without access to their money. A reliable network will guarantee the user a quick speed for the transaction, which is the main reason for the use of the system to enable the user to manage their emergencies effectively. Without the technological reliability, the efforts to take the banking services closer to the people will be for naught.

Building trust and enhancing the security of the agent banking system is another critical strategy for improving financial inclusion. To counter the deep-seated fear of fraud that stops rural communities from using available technology, lakuma et al. (2019) recommended mandatory instant sms receipts to build trust. In addition to digital notifications, the agents should be well trained to always give customers a valid receipt after every transaction to build trust. Furthermore, to provide immediate support when systems fail, there should also be a free phone number displayed at the agent's shop so that users can call for help if their money gets stuck or a transaction fails. At a higher regulatory level, it is recommended to make laws to

protect users from fraud, ensuring that the rural population feels legally protected when delegating their financial trust to a local shop owner.

Equally important is the need to bridge the gap of financial literacy among the rural populace. Munyegera and Matsumoto (2018) emphasized the need to train the rural user on the importance of handling pins and biometric information, as this is important in securing their digital wealth. The rural user lacks knowledge of how to operate the pos machines and is not aware of the benefits of having money on the card. Therefore, a comprehensive awareness campaign must be carried out. Furthermore, Nantongo and Mugisha (2019) emphasized the need to train the user more on the tariffs and fee structures being charged, such that they do not feel cheated by the charges. Finally, Bongomin et al. (2018) concluded by emphasizing the need to train the rural dweller on capacity building of financial literacy habits, such that they appreciate the benefits of formal banking as opposed to hoarding money at home.

Finally, strategies need to be developed to bridge the gap between traditional informal methods of saving and these new formal banking systems. As the study established that rural residents still want to save their real wealth in their informal vslas, it is therefore very highly recommended that banks should develop a system whereby these rural vslas can deposit their savings with their agents. This would not only legitimize their traditional financial systems but would also ensure that their collective wealth is included in the formal system. As a policy measure to further encourage the adoption of digital finance, bongomin et al. (2018) suggested that the government should make it mandatory for digital payments to be used to encourage their adoption by all demographics. By using these strategies to dismantle the barriers to agent banking, true financial inclusion for rural residents would be achieved.

2.5 Theoretical literature review

In the case of developing countries, a number of researchers have utilized theories such as Agency Theory and Financial Intermediation Theory while attempting to

address the issue of banking in the context of rural financial inclusion. These theories have been discussed in further detail in the following sub-sections.

2.5.1 Agency theory

At its core, agency theory (Panda & Leepsa, 2017) provides the lens for understanding the inherent risk in this banking model. In the traditional setup, a customer walks into a bank branch and trusts the institution. In the agent model seen in Mukono, that trust is delegated to a third party by the local shop owner. The principal (the bank) effectively loses direct control over the customer experience.

Literature has it that most rural areas in Uganda have not put enough emphasis on formal banking due to distance. This, therefore, limits their chances of having reliable financial access from which accurate financial habits can be formed. Failure to have reliable agents in the community might lead to high transaction costs, hence affecting the financial habits of rural dwellers in the long run (Mugarura, 2019).

Based on the theoretical insights given in agency theory, in this study, the role of the agent is to represent the bank to the rural population. Particularly, this area of theoretical advancement is used in the study to justify why rural communities who trust their local agents would more likely achieve higher levels of financial inclusion as compared to those who do not utilize these agent services (Kasirye, 2019).

2.5.2 Financial intermediation theory

Financial intermediation theory offers the economic rationale for why agents exist in rural sub-counties like Nagojje. Historically, the cost of building a 'brick-and-mortar' branch in a sparsely populated village was simply too high for any bank to justify. The theory suggests that to bridge this gap, an intermediary is needed to slash the 'shoe-leather costs' the physical time and money a farmer spends traveling to town. By piggybacking on existing retail infrastructure, agent banking proves this theory in real-time: it brings the intermediation point to the village, theoretically removing the friction that keeps rural populations unbanked. Because it involves a broader context of reducing friction in financial transactions, this theory is assumed to be the best for

explaining why bringing services closer to the people improves efficiency and satisfies users (Nantongo & Mugisha, 2019).

Bringing banking closer has been noted to be one of the important factors influencing the financial habits of a community. According to research, when the cost of accessing a bank is high, an individual prefers to keep money at home. In a similar context, Lakuma et al. (2019) argue that financial repression leads to poor saving habits. In this research, financial intermediation theory is crucial since the need to access financial services at a low cost exists in Mukono. This theory could thus be used to illustrate the role of agent proximity in improving the financial habits of the community.

2.6 Review of key study variables

To ensure clarity in the analysis that follows, it is important to define the key variables as they have been defined in this particular study. Though there is a general definition for each of these variables, this study has adopted a particular definition for 'financial accessibility,' 'agent banking,' and 'Financial Habits' that suits the rural environment in Mukono District. It is hypothesized that the utilization of agent banking practices of interest in this study and the capacity to overcome obstacles to adoption will affect the financial inclusion of the community effectively.

2.6.1 Financial accessibility

Accessibility of financial services refers to the ability of the community to reach and use banking facilities with ease, affordability, and minimal distance. Once this is achieved, a community is believed to be financially included. More so, accessibility is directly influenced by the geographical distribution of service points (Demirgüç-Kunt et al., 2022).

Accessibility can be split into its main components: physical accessibility and economic accessibility. Both components are indicators of inclusion. High physical accessibility means reduced distance to the service point, while high economic accessibility means affordability of transaction fees. Based on that, accessibility

among rural communities in the study context means the ability of residents to deposit and withdraw money without traveling long distances to Mukono town. In this regard, accessibility in the current study is logically conceptualized as a constituent of three separate dimensions: reduced travel time, reduced transport costs, and service availability (Bank of Uganda, 2020).

2.6.2 Agent banking

Agent banking is the provision of banking services by a third-party agent to customers on behalf of a licensed, prudentially regulated financial institution, such as a bank or other deposit-taking institution. This implies that it is a mechanism that extends the reach of the bank into areas where it would be unprofitable to establish a branch. The agent uses technology such as Point of Sale (POS) card readers or mobile phones to process transactions (GSMA, 2021).

The prime purpose of agent banking is, therefore, to provide financial services relevant for daily needs. It is also suggested that a good agent network should not only be determined by the number of agents available but also the ability of the agents to meet the liquidity demand (cash float) of the customers. In the context of this study, agent banking was conceptualized to encompass cash deposit services, cash withdrawal services, balance inquiry services, bill payment services, and account opening services that should be accessible at the agent location. The process of conducting these transactions is known as agency banking (Mugarura, 2019).

2.6.3 Financial habits

Financial habits refer to the behavioral patterns of individuals regarding the management of their money. This is necessary to ensure that the household resources are used effectively and efficiently in pursuit of economic stability. The habits are normally formed over time based on the ease of access to financial instruments (Munyegera & Matsumoto, 2018).

2.7 Agent banking and accessibility

Many past writers have stated that rural areas really need agent banking to help them access their money easily. For example, Adong and Mwaura (2018) explained that when banking services are brought closer to the villages, the rural economy becomes successful because people can get their money on time without delays. Because of this, it is noted that a community can only have good financial accessibility if there is a reliable network of agents around them. Furthermore, agent banking helps the rural people save the time they need for farming and working. Instead of spending a whole day traveling to the urban centers to bank, the agents allow them to handle their transactions locally. This helps them make quick financial decisions that support their livelihoods.

More so, agent banking plays a key role in the management of time necessary for economic productivity. Modern rural economies are concerned with the reduction of time spent traveling to urban centers. Agent banking provides evidence of how transactions can be handled locally. This is very important in enabling the rural residents to be up to date with their financial needs, hence well-informed decisions that influence their livelihoods. This is further coupled with the fact that these rural residents deal in small amounts which, if spent on transport, might deplete their savings (Kasirye, 2019).

Besides this, agent banking conveys substantial convenience to the enterprise of farming and trading. Traders find local agents useful in making deposits. Therefore, an accurate network of agents is a vehicle to monitor financial flows in specific areas such as Nagojje and Nakisunga sub-counties. In the Ugandan context, scholars have argued that the lack of proper access makes it impossible for rural businesses to grow. These arguments collectively suggest that agent banking would be positively linked to financial accessibility.

2.8 Agent banking and financial habits

According to existing literature, financial habits mainly center on two objectives: savings mobilization and consumption smoothing. The savings mobilization function

refers to the way in which agent banking should provide an avenue for rural people to store their excess income safely. Traditionally, the lack of banks meant that resources were kept in livestock or cash, which was evident through the low levels of formal savings in rural areas. As a result, agent banking serves as a means for shifting these resources into the formal sector (**Demirgüç-Kunt et al., 2022**).

According to the consumption smoothing objective, which is a behavioral approach to finance, the agent should provide liquidity useful for emergencies. Such a view implies a security-oriented perspective where agent banking should assist in guiding the user in his or her judgment of future financial needs. The objective of agent banking is to avail services that allow for frequent, low-value transactions that are useful to a wide variety of users who are mostly low-income earners. This requires the agent to be trusted, reliable, and consistent. Agent services such as deposits and withdrawals in the context of Uganda are therefore expected to give an advantage to the rural resident in terms of enhancing their saving culture (**Nantongo & Mugisha, 2019**).

2.9 The implications of agent banking on rural communities

According to **Lakuma et al. (2019)**, bringing banking closer as one of the aspects of good financial inclusion practice is crucial for the successful economic performance of a community. A comprehensive agent system makes it possible for entrepreneurs to access credit and save profits without closing their businesses to travel to town. With the accessibility generated from a good agent network, financial stability during one period (harvest) can be carried over to another period (planting). From these transactions, comparisons can be made on the savings and spending levels of the community.

More so, a combination of both accessibility and improved habits provides a basis for complete financial inclusion and also a basis for sound planning for the future. This ensures that households in the study context do not suffer from theft of cash due to lack of secure storage. Therefore, communities rely on correct agent services to make these decisions. Other factors held constant, a combination of proximity and

reliability are very significant factors influencing the financial habits of the community (Bank of Uganda, 2020).

However, according to Tumwine et al. (2018), the usefulness of the agent network has been jeopardized by the view that the agents often lack liquidity (float) and are only used for withdrawals, not savings, which has a great implication on the habits of the users. Besides this, the lack of network stability in rural areas can harm their trust, hence affecting their usage in the long run. This therefore stresses a need to examine the implications of these practices in the current study context.

2.10 Motivation for and against utilization of agent banking services

According to Munyegera and Matsumoto (2018), people in rural communities are encouraged to use agent banking because it gives them a way to keep their money secure. Even though it is a new technology for many villagers, they say it is a very important part of keeping track of their finances. Also, Adong and Mwaura (2018) explained that people are highly motivated to use these agents when they have emergencies because the speed of the transaction is fast. By using these agents, the rural residents can save on transport money and get accurate access to their resources without traveling.

Besides this, Adong and Mwaura (2018) contend that individuals are also motivated to utilize these services to help them in the management of their emergencies effectively. Rural dwellers who utilize these practices are specifically interested in the speed of transactions. GSMA (2021) affirms that utilization of digital financial services is important for the detection of fraud and theft in the community. This is why these agent practices are getting the attention of most residents in the study context.

The need to be efficient and save on transport costs is also one of the core rationales for the utilization of agent banking in the study context. Therefore, rural residents need updated, accurate, and timely access to ensure that all their resources are

utilized for intended purposes. Additionally, through the utilization of agents, the user will be in a position to provide essential records to potential lenders.

On the negative side, some people are completely against using agents, and they say they would rather focus on keeping their cash hidden at home or in their local village saving groups (VSLAs). The main reason for this negative motivation is because of their fear of failure of the network during a transaction, or because of their fear of being told by the agent that there is no float for them to withdraw. Other researchers also noted that because of their financial illiteracy, rural people are inflexible and avoid using these new agents, which contributes to poor financial habits.

2.11 Summary of prior empirical studies

When looking at research done in the past in Uganda, Mugarura (2019) did research on how agency banking contributes to financial inclusion. The research revealed that because of the agents' proximity to the people, there was a significant increase in the number of people who opened deposit accounts in banks because of fear of their goods being stolen. The researcher also recommended that banks should increase their agents in remote areas and enact laws to prevent fraud.

Another study was carried out by Kasirye (2019) who was looking at the problems of managing liquidity by agents in rural districts. He used a cross-sectional survey, and his findings clearly showed that agents struggle a lot with 'float' management because there are no nearby centers to rebalance their cash. Because of this, he concluded that relying on agents for emergency medical funds is not very safe since transactions often fail.

Adong and Mwaura (2018) carried out a study to sort out areas of financial behavior that are likely to be significant to rural users of digital finance. To fulfill this purpose, data was collected through interviews with bank managers. The major findings were that agent banking makes up an important tool mainly for informing the bank about rural cash flows. Users were found to make use of agent information not only in withdrawing but in paying school fees as well. In addition to cash withdrawals, bill

payments have been sorted out as likely to be of specific importance to include in the services of agents.

Also, Nantongo and Mugisha (2019) did a study to find out what makes rural communities satisfied with agent banking. Their research found out that users care a lot about the speed of the transaction, but they did not really consider the cost because very few understood the fee structure being charged. They recommended that banks need to sensitize the users more about the tariffs. Similarly, Lakuma et al. (2019) investigated trust in digital finance in Western Uganda and concluded that rural people fear fraud too much, so they recommended mandatory instant SMS receipts to build trust.

Similarly, Lakuma et al. (2019) made an exploratory investigation on trust in digital financial services in Western Uganda. The researchers concluded that rural communities do not use the available technology (agents and mobile apps) to the full extent due to fear of fraud. They recommended that trust-building mechanisms such as instant SMS receipts be made mandatory.

Using the procedures stipulated by grounded theory, Bank of Uganda (2020) reported the findings of in depth semi-structured interviews with agent bankers. The findings reveal that the agents place equal attention on both the commission earned and the customer traffic. Even though this study intended to focus on the agents, the selected respondents reflected that customers often shy away from agents who do not have cash. More empirical tests could help firm up the understanding and reasons for selecting or neglecting certain agents. Hence, this study focuses on the user's perspective in the rural context.

Demirgüç-Kunt et al. (2022) carried out a study on banking systems in small and micro enterprises. The results revealed that small enterprises that extensively populate the rural sector are profitable operations just like the enterprises in the formal business sector. However, unlike in the urban sector, the absence of banking data makes it difficult to access loans. They therefore recommended the use of

agents to build credit histories. It would therefore be worthwhile to include this sector in economic statistical calculations in developing countries such as Uganda.

Munyegera and Matsumoto (2018) carried out a study on the accounting information needs, but in relation to technology, found that small rural users did not possess enough skill to utilize PIN-based systems. The rural user who is normally the one that manages the household finances had limited proficiency in using POS machines. Besides, they were unaware of the advantages of keeping money on the card. They recommended the need for training for the rural user on the importance of handling PINs and biometric data.

Bongomin et al. (2018) investigated the effect of financial skill on performance. Applying this to banking, their findings revealed that most rural dwellers did not see the need to open bank accounts, which was regarded as a waste of money since they were not obliged to do so. This may be wrong in view of the fact that there are other benefits such as interest earnings. Financial access was found to be highly contributory to household stability. They concluded by suggesting that rural dwellers should embark on capacity building in financial literacy for better habits, and government should make it mandatory for payments to be digital to encourage usage.

2.12 Summary of the existing literature gap

A lot of research has already been done on agent banking, but most of it looks at urban areas and how the commercial banks make their profits from the system. The previous researchers have mostly ignored how the rural person behaves when they get these services. Thus, the main gap this study seeks to bridge is to ascertain the ways in which the community in Mukono district changes their daily financial behavior, for example, their savings culture, as a result of agent banking. Most past studies focus too much on whether the agent is making money, but this research focuses on whether the user is changing their habits for the better.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the research design, the population of the study, the source of data, sampling methods, sample size, techniques, data collection procedures, methods and tools used, data analysis techniques, and measurement of variables.

3.2 Research design

For this research, the study used a cross-sectional survey research design whereby the researcher collected the data about the agent banking and the financial habits of the people all at once. However, it is important to note the weakness of this design, which is that it cannot easily show the long term cause and effect of the variables. Furthermore, the study used a descriptive method to find out the reasons why people are motivated or not motivated to use the agent banking services. The study also focused on a quantitative approach because the main interest was to collect data that can be generalized to show the impact of agent banking on the whole rural population of Mukono District

3.3 Population of the study

The study specifically targeted residents in the Nakisunga and Nagojje sub-counties. Since no central registry exists for agent banking users, the target population was drawn directly from the active trading centers where these transactions happen.

This database comprised approximately 300 residents identified from active trading centers, comprising small holder farmers, local retail traders, civil servants teachers/health workers, and casual laborers who are potential or actual users of agent banking services. The focus on these different sectors was meant to create a general picture with regard to the issues under study rather than focusing on a particular group. The database was created through a visit to representative trading centers in the district, such as Kyetume and Katosi, to solicit the participation of the

residents, which eventually led to the development of the sampling frame for the final sample under study.

3.4 Sample size and sampling procedure

The final sample size that was successfully accessed and interviewed for this particular study was 92 respondents. This group of people was mixed to include different types of workers, such as farmers, small retail traders, and civil servants, in order for the results obtained to show the real economic situation of the district. The total sample size included 14 farmers, 33 retail shop traders, 33 civil servants, and 12 casual laborers. In order for this particular sample of people to be selected, the study used a method of sampling known as purposive sampling, whereby the trading centers that had active bank agents were specifically picked. After this, the actual people were sampled randomly, which is a method used to eliminate bias. The researcher hand-delivered 92 questionnaires and waited for the respondents to fill them in face-to-face. Out of these, 90 were fully completed and returned, giving a very high response rate of about 98%.

3.5 Classification of variables

The variables in this research were three to make the study clear, independent, dependent and extraneous variables.

3.5.1 Independent variable

In this study, the independent variable being agent banking is the one expected to cause change to the other variables.

3.5.2 Dependent variable

This being financial habit habits and financial accesibility are the ones that change due to agent banking

3.5.3 Extraneous variables

These are other issues outside the study that can affect the results if not looked at. Things like income level of respondent, financial literacy of people were seen as extraneous variables.

3.6 Data collection method

For the researcher to get the primary data from the field, a cross-sectional survey method was used. The main tool that was used to collect this data from the people was a structured questionnaire.

3.7 Measurement of the study variables

Measuring the variables, the researcher adopted items from other past studies. For the independent variable, which is agent banking, the study measured things like proximity, reliability, and trust. For the dependent variable, which is financial habits and accessibility, the study measured things like saving culture, transaction frequency, and how easy it is to access money.

3.7.1 Agent banking practices (independent variable)

In the study, the agent banking variable was conceptualized along three dimensions namely: proximity, reliability, and trust. Specifically, respondents were asked to what extent they agreed on a scale of 1 to 5 (1= strongly disagree and 5= strongly agree) to the following statements:

1. The agent is located within walking distance of my home/business.
2. The agent is always available at the premises during opening hours.
3. The agent always has cash (float) for withdrawals when I need it.
4. The agent always has e-float to accept my deposits.
5. The agent transaction speed is faster than the bank branch.
6. The agent fees are affordable compared to transport costs to the branch.
7. The system network is always stable during transactions.
8. The agent provides a valid receipt for every transaction.

9. I trust the agent with my PIN and financial information.
10. The agent is helpful when transactions fail or hang.
11. The agent premises are secure and safe for handling cash.
12. The agent opens early and closes late, offering convenience.

3.7.2 Financial habits and accessibility (dependent variable)

In the study, the financial habits variable was conceptualized to address inclusion in the form of saving culture, transaction frequency, and accessibility. The items for these different dimensions were obtained from earlier existing studies. Specifically, respondents were asked to what extent they agreed on a scale of 1 to 5 (1= strongly disagree and 5= strongly agree) to the following statements:

1. The frequency of my savings has increased this year compared to when I used the branch.
2. I keep less cash at home since I started using the agent.
3. The cost of transport to access money has reduced significantly.
4. I find it easier to pay bills (school fees/utilities) using the agent.
5. I have shifted from using informal VSLAs to depositing with the agent.
6. I feel more financially secure knowing I can access my money anytime.
7. I make withdrawals in smaller amounts but more frequently.

3.8 Reliability and validity of the study

To ensure the quality of the research process, all the items included in the study were based on earlier studies and thoroughly reviewed by the supervisor before data collection. In addition, a number of tests were conducted on the reliability and validity of the data.

3.8.1 Reliability

To ensure a consistent questionnaire, a Cronbach alpha test was implemented on all the questions that used the Likert scale. This was done to confirm that questions grouped under sections like trust were measuring that exact concept without confusing the respondents.

3.8.2 Validity

here content validity was utilised. The instrument was reviewed by the supervisor and two independent researchers to ensure questions accurately captured the concepts. The Content Validity Index (CVI) was computed to ensure it was above 0.7. Additionally, factor analysis concepts were considered to ensure items loaded correctly on their respective variables, ensuring no guesswork was involved in conceptualizing the variables.

3.9 Procedures of data collection

The researcher first obtained an introductory letter from the school of business at the university and this was used to show the research is genuine and following all ethical guidelines. The respondents were also assured that their responses would only be used for writing this report.

3.10 Data analysis

After data was collected, the questionnaires were checked one by one to ensure they were all filled. Then the raw data was typed into SPSS to help with the calculations.

3.11 Limitations of the study

The researcher encountered certain limitations during the study, as no research is without constraints:

- The "busy trader" barrier:
The primary logistical challenge was not just access, but attention. As most of the agents and users are found in a bustling business center like Kyetume, many of the potential respondents were serving customers during the interview. This was a challenge, as it demanded patience, which in some instances meant stopping the interview in the middle of a sentence.
- Infrastructure reality:
Ideally, the study intended to observe live transactions. However, the very problem being studied network instability ironically hindered the research

process. On several occasions, the researcher could not verify "speed of transaction" simply because the system was offline at the time of the visit.

CHAPTER FOUR

FINDINGS ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the analysis of the field data, presentation, and interpretation of the results.

4.2 Response rate

The study targeted a sample size of **92 respondents** comprising small-holder farmers, local traders, civil servants, and casual laborers in the rural sub-counties of Nakisunga and Nagojje. The study achieved an exceptionally high response rate of 97.8%, 90 out of 92, a success largely attributed to the face-to-face administration strategy.

Table 4.1: Response rate

Category	Frequency	Percentage (%)
Questionnaires Distributed	92	100%
Questionnaires Returned	90	97.8%
Non-Response/Invalid	2	2.2%
Total	92	100%

Source: Primary Data

The high response rate was attributed to the researcher actively being present during the filling of the questionnaires.

4.3 Results on the background information of the respondents

This section looks at the demographic profile of the respondents.

4.3.1 Profile of the respondents

The study gathered data on gender, age, education level, and occupation. These characteristics are summarized in Table 4.2 below.

Table 4.2: Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	48	53.3%
	Female	42	46.7%
	Total	90	100.0%
Age Bracket	18 - 25 Years	22	24.4%
	26 - 35 Years	38	42.2%
	36 - 45 Years	20	22.2%
	46 and above	10	11.1%
	Total	90	100.0%
Education Level	Primary	36	40.0%
	Secondary (O/A Level)	32	35.6%
	Tertiary/Diploma	15	16.7%
	University Degree	7	7.8%

	Total	90	100.0%
Occupation	Farmer	35	38.9%
	Trader (Retail/Wholesale)	30	33.3%
	Civil Servant	15	16.7%
	Casual Laborer/Others	10	11.1%
	Total	90	100.0%

Source: Primary Data

Interpretation of background results:

From Table 4.2, a representative picture of the active community in Nakisunga and Nagojje is given. First, the gender aspect is evenly split, ensuring that all voices were heard. Secondly, the age data shows that the community is skewed towards the youth, with the 26-35 age bracket being dominated by 42.2%.

Concerning education, the majority of the respondents had attained primary education, being 40.0%, followed by secondary education, which was 35.6%. Only 7.8% of the respondents were degree holders. This shows that the target population is partially literate, which validates this study's focus on rural accessibility issues. Occupation-wise, the majority of the respondents, being 38.9%, were farmers, followed by traders, who comprised 33.3%.

4.3.2 Descriptive statistics on agent banking (independent variable)

The study sought to establish the extent of agent banking usage in terms of proximity and reliability. Respondents rated items on a 5-point Likert scale (5= Very great extent, 1= Very low extent).

Table 4.3: Descriptive Statistics on Agent Banking

Statement	Mean	Std. Dev	Interpretation
The agent is located within walking distance of my home	4.45	0.65	Very High
Agent transaction fees are affordable compared to transport	4.20	0.78	High
I can transact with the agent even on weekends/evenings	4.10	0.82	High
The agent always has cash (float) for withdrawals	2.85	1.45	Moderate/Low
The network is always stable during transactions	2.90	1.30	Moderate/Low
The agent provides a valid receipt for every transaction	3.50	1.15	Moderate
Average Mean	3.66	1.02	Moderate-High

Source: Primary Data

Interpretation:

When looking at the agent banking experience from the table above, the results show two very different sides. Most of the people strongly agreed that the agents are easy to reach. The highest score was a mean of 4.45 for the agents being within walking distance. This shows the old problem of walking long distances is solved. Though, when it comes to the reliability of the agents, the scores were quite low. People did not agree that the agent always has cash float for withdrawals, giving it a low mean of

2.85 with a high standard deviation, which means the service is very inconsistent. The network being stable also got a poor score of 2.90

4.3.3 Descriptive statistics on financial habits (dependent variable)

The study examined the impact on financial habits (saving culture, cash holding).

Table 4.4: Descriptive statistics on financial habits

Statement	Mean	Std. Dev	Interpretation
I keep less cash at home since using the agent	3.95	0.90	High
I find it easier to pay bills (school fees) via agents	4.15	0.75	High
The frequency of my savings has increased this year	3.10	1.25	Moderate
I have shifted from VSLAs (Village groups) to Agent Banking	2.20	1.10	Low
I feel financially secure using agent services	3.40	1.15	Moderate
Average Mean	3.36	1.03	Moderate

Source: Primary Data

Interpretation:

The data collected reveals something very interesting about the financial habits of rural people. It is evident that agent banking has really helped people do their transactions, but it is taking a very long time for people to change their habits of saving their money. For instance, people found it very easy to pay their school fees and bills using agent banking, which received a high mean of 4.15. People also agreed that they are now keeping little cash at home, which received a mean of 3.95.

However, when people were asked if their frequency of saving increased, it received a moderate score of 3.10.

4.4 Inferential statistical analysis of quantitative data

Following the descriptive statistics, the data was required to test the specific objective, and this was achieved by the use of inferential statistics, where the two tests that were required were person correlation and regression analysis.

4.4.1 Correlation analysis

The Pearson correlation coefficient (r) was employed to check for a connection between the variables.

Table 4.5: Pearson Correlation Matrix

	Agent Proximity	Agent Reliability	Financial Habits	Accessibility
Agent Proximity	1			
Agent Reliability	.350**	1		
Financial Habits	.215*	.588**	1	
Accessibility	.650**	.410**	.315**	1

Interpretation of correlations:

- The correlation matrix also shows a strong association between physical distance and perceived access, ($r=0.650$, $p<0.01$). This is a simple way of saying that as the agent gets closer to the user's doorstep, the user feels included in the financial

system. This is a validation of the reality that for a person living in a rural area like Mukono, access is a matter of meters.

- **Reliability and financial habits**

($r = 0.588$, $p < 0.01$): There is a strong positive relationship between service reliability (float/network) and positive financial habits.

- **Proximity and financial habits**

($r = 0.215$, $p < 0.05$): The relationship is positive but weak. This implies that proximity to the agent alone does not necessarily translate to increased saving; one must also be reliable to change one's saving behavior.

4.4.2 Regression analysis

After the correlations, regression was calculated to see exactly how much agent banking factors like reliability bring about changes in people's financial habits.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645a	.416	.395	.85412

a. Predictors: (Constant), Agent Reliability, Agent Proximity

Interpretation:

Looking at the model summary in Table 4.6, the R Square value is 0.416. this means that agent banking practices were responsible for 41.6% of the changes we see in the financial habits. The remaining 58.4% is brought about by other things that this study did not cover, like maybe the daily income levels of the farmers or their lack of financial literacy.

Table 4.7: Regression coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	1.120	.345		3.246	.002
Agent Proximity	.150	.068	.185	2.205	.030
Agent Reliability	.480	.072	.540	6.667	.000

Dependent Variable: Financial Habits & Accessibility

Interpretation of coefficients:

- (B=0.540, t=6.667). With a B coefficient this high, reliability is more prominent based on the data. It suggests that while proximity gets a user to the agent's door, it is the reliability of the service, specifically the certainty that the agent has cash that actually compels them to adopt better financial habits. Without this trust, the habit does not form.
- **Agent proximity (B = 0.185, t = 2.205, p < 0.05):** This variable has a positive but smaller impact.

Hypothesis testing conclusion:

- Hypothesis 1 based on the positive results from the correlation and regression analysis, the first hypothesis is accepted.

- Hypothesis 2 stated that agent banking reliability significantly influences the financial habits (saving culture) of rural communities. Because the β for reliability was very high at 0.540, this second hypothesis is also accepted as true for this study context.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, discussion of results, conclusion, and recommendations.

5.2 Demographic characteristics

Out of 92 people in Nakisunga and Nagojje, 90 fully answered. This gave a response rate of 97.8%. Which provided strong data to analyze. There were slightly more males 53.3% than females 46.7% . Most of them were youth between 26 and 35 years old. On the aspect of education, the majority stopped at primary and secondary levels 75.6%. This shows the rural population is partially literate, meaning the systems need to be very simple since only 7.8% had degrees.

5.3 Summary of major findings

The summary of findings is presented according to the three specific objectives of the study.

5.3.1 Summary of findings on agent banking proximity and accessibility

The study presented a very positive and strong relationship between how easy it is to access financial services and how close an agent is. The figures portrayed a very high score of 4.45 for the distance of walking, which proves physical distance is not a big issue in rural Mukono.

5.3.2 Summary of findings on agent reliability and financial habits

A positive relationship between reliability and financial habits was seen. However, the results described reliability as a very big problem now. That is to say, a low mean score of 2.85 for agents always having cash was seen. And because of this, people are still saving fromally. Hence, making the shift from VSLA to agent banking very low.

5.3.3 Summary of findings on challenges limiting usage

What is mainly stopping people from fully using agent banking services is shortage of float and stable network. This is shown by the regression model that is to say; the residents care less about how near an agent is and care more about whether he or she has money.

5.4 Discussion of major findings

5.4.1 Discussion on agent banking proximity and accessibility

According to the findings of the study, it was found out that agent banking has really helped to improve how people access financial services in the rural parts of Mukono. By having the banking services at the local retail shops, it has reduced the transport money and time that people used to spend when traveling to the main bank branches in town.

For example, a resident in Nagojje spends about 5,000 UGX on a boda boda ride to travel to Mukono Town to visit a bank branch. However, withdrawing money from a local agent costs less than 1,000 UGX. This shows that using agent banking saves a lot of money on transport. Even with these savings, the residents still do not fully use the agents for saving their money because the agents are often unreliable and lack cash.

5.4.2 Discussion on agent reliability and financial habits

Even though the issue of distance has been solved, the people are not using agents to save their money as they prefer their local sacco. This shows regardless of the distance, people still prefer the VSLAs.

5.4.3 Discussion on challenges limiting usage

The study identified that the main things limiting people from using agent banking are the lack of float and poor network stability. If a user walks to an agent and finds the network offline or the agent has no cash, they will see the system as useless, and they will go back to keeping cash at home. These findings mirror those of Seruwagi (2020), who noted that rural agents often lack the capital to maintain adequate float levels.

5.5 Conclusion

The study has a conclusion that agent banking has really brought a huge change by making the accessibility to financial services easy. It has brought the services to the locals so that people can save money on transport to the bank. Although the people living in the rural areas are not keeping much money at their homes, they have not yet started keeping the money in the banks.

5.6 Recommendations

Based on the findings and conclusion of the study, the following recommendations are made:

1. The commercial banks should not only aim to have many agents but should also assist them by providing them with float loans. This will ensure that they have enough money to give to their customers at all times, especially during those times of the month when everyone wants to withdraw money from their accounts.
2. The agents should be well trained to ensure they always give their customers a receipt after every transaction to gain their trust. The agents should also ensure they display a free phone number for their customers to call in case their money gets stuck.

5.7 Area of Further Study

However, since this research only focused on agent banking and its effects on the financial habits of people in the rural areas of Mukono, there are other related things that future researchers can look into. One person can conduct a study to compare the two and find out which one between the two is better for the people in the rural areas to save their money. Secondly, future researchers can look into the effects of the taxes imposed on the money withdrawn from the agents by the people. Thirdly, this study only looked at the situation at a particular point in time; therefore, future researchers can conduct a study by tracking the same people over a long period of five years to see whether their financial habits change over the years as they get accustomed to the agents.

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APPENDIX ONE: SURVEY INSTRUMENT

Dear Respondent,

I am TUSIIME KAGORO MARVINN, a student of UGANDA CHRISTIAN UNIVERSITY. As part of the academic requirements for the award of a bachelor's degree, students are required to conduct field research and present their findings. I am therefore conducting a research entitled, "**THE IMPACT OF AGENT BANKING ON THE FINANCIAL HABITS AND ACCESSIBILITY OF FINANCIAL SERVICES FOR RURAL COMMUNITIES IN MUKONO DISTRICT.**"

The importance of this letter is to kindly request you to provide information regarding the study. All your views will be kept **confidential** and every part of your response will be used only for academic purposes.

SECTION A: BACKGROUND INFORMATION

Please tick or circle the appropriate option

1. Age (Years)

18 - 25 years

26 - 35 years

36 - 45 years

46 - 55 years

56 years and above

2. Gender

Male

Female

3. Occupation

- Farmer
- Trader/Business Owner
- Civil Servant (Teacher/Health Worker)
- Casual Laborer
- Others (Specify): _____

4. Highest Education Level

- Primary
- Secondary (O/A Level)
- Diploma/Tertiary
- University Degree
- None

5. Do you currently use Agent Banking Services?

- Yes
- No

6. How often do you use Agent Banking services?

- Daily
- Weekly
- Monthly
- Rarely

SECTION B: AGENT BANKING PRACTICES (INDEPENDENT VARIABLE)

Please rate the extent to which you agree with the following statements regarding Agent Banking in your area.

Scale: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

PROXIMITY	1	2	3	4	5
7. The agent is located within walking distance of my home/business.					
8. The agent is located in a convenient trading center.					
9. I spend less time traveling to the agent than to the main bank branch.					
10. The cost of transport to the agent is negligible/affordable.					
RELIABILITY					
11. The agent always has cash (float) when I need to withdraw.					
12. The agent always has e-float when I need to deposit.					
13. The network system is always stable during transactions.					
14. The agent provides a valid receipt for every transaction.					
TRUST					
15. I trust the agent with my PIN and financial information.					

16. The agent premises are secure and safe for handling cash.					
17. The agent is helpful when transactions fail or hang.					

SECTION C: FINANCIAL HABITS AND ACCESSIBILITY (DEPENDENT VARIABLE)

Please rate the extent to which Agent Banking has influenced your financial behavior.

Scale: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

ACCESSIBILITY	1	2	3	4	5
18. Banking services are now available to me on weekends and evenings.					
19. I find it easier to pay bills (school fees/utilities) using the agent.					
20. Accessing my money is no longer a stressful activity.					
FINANCIAL HABITS (SAVING CULTURE)					
21. The frequency of my savings has increased since I started using agents.					
22. I keep less cash at home (under the mattress) since using the agent.					
23. I deposit my daily/weekly sales proceeds immediately with the agent.					
24. I have reduced my reliance on informal groups (VSLAs) in favor of the bank.					

25. I make withdrawals in smaller amounts but more frequently to manage spending.					
26. I feel more financially secure knowing I can access my money anytime.					

SECTION D: CHALLENGES LIMITING USAGE

To what extent do the following challenges discourage you from using Agent Banking?

Scale: 5 = Very Great Extent, 4 = Great Extent, 3 = Moderate Extent, 2 = Small Extent, 1 = Very Low Extent

CHALLENGES	1	2	3	4	5
27. Frequent lack of cash (float) at the agent point.					
28. Network/System failure during transactions.					
29. Fear of fraud or theft by the agent.					
30. Lack of privacy (Agent knowing my balance).					
31. High transaction fees charged by the bank.					
32. Lack of knowledge/training on how to use the machines.					

THANK YOU SO MUCH FOR YOUR PARTICIPATION.