Agency Banking Transactions on Financial Performance of Primary Business of Small Scale Enterprises in Kiambu Town, Kenya

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Abstract: ***Over the last eight years, agency banking has progressively gained importance in Kenya. Agency banking has enabled banks to save on costs associated with opening bank branches and has offered convenience to bank customers who before the introduction of agency banking involuntarily had to travel long distances and incur hefty amounts on transportation in order to access a bank branch. Studies on agency banking within the country and world over have concentrated on the how agency banking has affected the performance of banks while other studies have concentrated on the customers of the agency and how agency banking has impacted on their livelihoods with little attention being focused on the effect of agency banking on the financial performance of banking agents. Driven by this knowledge gap, this study sought to determine the effect of agency banking transactions on the financial performance of the primary businesses of Small scale enterprises in Kiambu Town, Kenya.Objectives of his research examined the effect of agency financial transactions; common costs of agency and primary business and agency liquidity on the financial performance of primary business of small scale enterprises in Kiambu Town, Kenya.The study indicated that entrepreneurs not only boost their income from the commissions received from the banks but they also gain additional business from the customers who often purchase goods and services from their primary business. The businesses engaging in agency business also save on operational costs since the same resources are used to derive additional income. The study recommended an awareness campaign on all the financial services offered by agents as most customers seem only to engage on few of the permissible activities of agency banking.***

Keywords: Agency banking, small scale enterprises, agency liquidity, common costs, financial performance

1. Background of the Study

Agency banking is a type of branchless banking where an existing business is contracted by a commercial bank to process the banking transactions of its customers. It is varied from a branch teller because it is the business owner or an employee of the business who undertakes the banking transactions which include deposits, withdrawals, bill payments, account balance inquiry (Kumar, Nair, Parsons &Urdapilleta, 2006).

According to Jonson and Susan (2011), agency banking is the recently developed way that commercial banks in Kenya are using deliver banking services at an economical rate to the unreachable population. The huge costs of instituting bank branches against the expected yields have been a deterrent for commercial banks to extend their services to some rural areas, but agency banking has created way to these markets at minimal cost. Although both large enterprises and small scale enterprises have embraced agency banking, their reasons for engaging in agency banking greatly differ. Whereas the main reason for Small scale enterprises to engage in agency banking is to supplement the income of their primary business, the large enterprises engage in agency banking as a way of offering service and convenience to their customers (CGAP, 2010).

According to Ivantury and Timothy (2006), agency banking will possibly be beneficial to the small scale businesses in these ways: increase in sales due to additional foot traffic, variation from other businesses, and good repute from affiliation with well-known banks and added revenue from commissions and incentives from banks. Banking agents gain from both commissions and additional business from clients who habitually buy goods from their shops (CGAP, 2011c).According to Equity bank (2013), an agent will need to transact an estimate of around fifty transactions in a day in order to cover their monthly overheads. This of course depends on the efficiency of the agents and also their ability to maintain costs at minimum. The monthly overheads include rent, salaries, cost of float, business permits and airtime to name but a few. Regulation requires agents to be engaged in an existing economic activity so that agency banking becomes another product in their premises. Unless an agent attains break even points, the agency will close unless he or she is able to spread costs to the core business.

The Kenyan small scale enterprises sector has grown rapidly, and the government estimates that the Small scale enterprises sector constituted 89.7 per cent of total employment created in 2012 (GoK, 2013). It is estimated that there are 7.7 million of Small scale enterprises in Kenya out of which 965 are licensed in Kiambu Town (KNBS, 2016). Kiambu Town, a constituency of Kiambu County is located close to Kenya's capital, Nairobi. The population of Kiambu Town is 118,259 (KNBS, 2012). Kiambu Town is a hotbed of businesses both small and large scale. Banks that serve Kiambu town include: Family Bank, Equity Bank, Standard Chartered bank, Co-operative Bank, Kenya Commercial Bank and National Bank (KNBS, 2016).Out of the 965 Small scale enterprises licensed in Kiambu Town, 168 of them operate agency banking services alongside their primary business and are contracted by Equity Bank, KCB and Cooperative Bank. The KCB agent outlet is dubbed KCB Mtaani while the Cooperative agent outlet is named Co-op Jirani. Equity Bank have branded their agents as simply Equity agents (CBK, 2013).

2. Statement of the Problem

Small scale enterprises are significant both to individuals and to the economy of a country. Small scale enterprises are recognized for employment creation and the improvement of living standards. In addition Small scale enterprises complement large scale modern sector enterprises, they utilize agricultural and other raw materials that would have otherwise gone to waste, and they serve limited or closed markets that need only small scale production (Bwisa 2011). While the contributions of Small scale enterprises to development are generally acknowledged, owners of small scale enterprises face many obstacles that limit their long term existence and development. Research on small scale business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2006).Statistics show that three out of five businesses fail within the first few years of operation (Kenya National Bureau of Statistics, 2016). Data from small scale and Small Enterprise Authority (MSEA) indicates that more than 400,000 of small scale enterprises wound up before three years (MSEA, 2015).

Agency banking has been recognized in the last decade as the potential provider of financial services to low income earners who are excluded from the traditional banking networks, and in particular those living in remote and rural areas.Banking agents have a potential of being a tool for poverty alleviation and financial inclusion since through their services, they boost the household incomes of the rural population previously excluded from the banking orbit (Microsave, 2014).A study done by Ignacio (2008) asserts that successful branchless business models must work not only for providers and end clients, but also for agents. According to CGAP (2011), agency banking as a replica of mobile banking has been very flourishing in boosting the commercial banks' performance in most developing states. Jagongo and Molonko (2014) argued that through the adoption of agency banking, many financial institutions, including commercial banks, are getting huge profits from people from the bottom part of the economic background.

Whereas many economists and scholars have concluded that agency banking model is viable for financial institutions, little study has distilled the viability of agency banking from the agents perspective. From the foregoing studies, it is evident that whereas many studies have provided much descriptive and empirical evidence on agency banking, there exists some gaps in the literature that needs to be addressed to link agency banking and Small scale enterprises. It is apparent that no study has been done on agency banking transactions on the financial performance of primary businesses of Small scale enterprises. Most studies focused on the impact of agency banking on the financial performance of commercial banks but little or no study has focused on banking agents themselves. This study therefore seeks to fill this existing gap.

3. General Objective

The general objective of this study was to investigate the effect of agency banking transactions on the financial performance of primary business of small scale enterprises in Kiambu Town, Kenya.

3.1 Specific objectives

In order to accomplish the above general objective, the study sought to address the following specific objectives:

- To establish the effect of agency financial transactions on the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya.
- To determine the effect of common costs on the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya.
- To determine the effect of agency liquidity on the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya.
- To establish the moderating effect of regulation by Central Bank of Kenya on the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya.

3.2 Scope of the Study

One of the requirements of Central Bank for those Small scale enterprises that want to engage in Agency banking is for them to have a commercial activity for the past 18 months. Based on this requirement, the study considered Small scale enterprises that have been in a profitable activity for at least two years. The researcher concentrated specifically on Small scale enterprises operating as bank agents for Equity Bank, KCB and Cooperative Bank. These three banks were the pioneers of agency banking and have aggressively adopted the agency model. Statistics on the distribution of agents, 87% are with the three banks: Equity Bank with 25,450 agents, KCB with 12,900 and Cooperative bank with 8,900 agents (CBK, 2013). In addition, distribution of banks in Kiambu Town is not adequate thus the researcher's selection of three banks. The study administered questionnaires to either the owners or employees of the agents working for the three banks in Kiambu Town.

4. Theoretical Review

4.1 Agency Theory

The Agency theory which was developed by Jensen and Meckling in 1976 explains the conflict between shareholders and managers (agents of shareholders). The fundamental idea behind the agency theory is that the principal is busy to do a given job and hence hires an agent to work for him. The problem comes in when the principal is not able to monitor the agent accordingly. This therefore develops an agency problem as the agent also has his interests which he places in priority over the principal's interests. It is therefore the principal's problem to design an incentive contract in line with that of the agent (Blume & Easley 2008).

A deceitful bank agent may divide one deposit transaction into many transactions so as to earn more in commission paid by the bank. A banking agent may also steal from bank customers for instance by skimming of bank cards or accepting deposits when there is no network coverage.

Agency theory underpins all the objectives of the study as it explains the relationship between the banks and their agents and how conflict may arise in this relationship. Banks are accountable for the activities of the agents as the customers belong to the bank. The banks must therefore devise supervision and monitoring procedures to ensure agents work in their best interests.

4.2 Pecking Order Theory

This theory was proposed by Myers and Mailuf (1984) based on the proposition that financing follows a hierarchy, and that businesses prefer internal over external financing and debt over equity. This theory explains how firms choose to obtain financing for their future activities and for their growth. Small scale enterprises by their very nature are commonly financed by the owners due to lack of accessibility to external financing like long term debt which is the basis of Pecking order theory. The theory suggests use of internal sources followed by debt then equity which is the order of Small scale enterprises.

The Second research objective was anchored on Pecking order Theory as the theory since Small scale enterprises intending to engage in agency banking must consider the cost of investing in agency banking which in most cases in Kiambu Town, self-financing is usually preferred followed by loans advanced by family and friends.

4.3 Intermediation Theory

This theory was developed in the nineteen sixties with Gurly and Shaw (1960) being the starting point. The existence of the financial intermediaries was necessitated by the high transaction costs arising from information asymmetry between lenders and borrowers. The financial intermediaries thus reduce these transaction costs and they contribute to efficient functioning of markets. This theory underpins the moderating variable. Intermediation in this study comes in as it places the regulator of commercial banks and their agents as the one that intermediates between money and the household. One of the guidelines issued by CBK is on non-exclusivity of bank agents meaning that a small scale enterprise can operate as an agent for several banks in the existing business premise. Non exclusivity of agents improves access to agency banking and reduces the costs associated with travel to access the financial services. Non exclusivity of agents is also crucial in the rural areas where qualified agents are also scarce.

5. Empirical Review

5.1 Agency Transactions

A study was conducted by Aduda and Ndwiga (2013), in regards to the relationship between agency banking and financial performance . The study found out that out the banks studied, co-operative bank, Equity Bank and Kenya Commercial Bank showed significance performance index. Other banks, however, did not show the performance index as the aforementioned. Further, the findings showed that there was increase in the annual performance of those banks with agency banking. This implied that agency banking was progressively improving leading up to a significant increase in financial performance of those banks. The study however only concentrated on how agency banking transactions enhance financial performance of banks. It failed to look at relationship between transactions of agency banking and financial performance of the agents. The current research sought to address these aspects of agency banking.

Jagongo and Molonko (2014) investigated the role of agency banking operations in the financial performance of commercial banks. They argued that many financial institutions, including commercial banks, are getting huge profits from people from the bottom part of the economic background. This has led to high competition as most financial institutions employ various market entry methods to venture in this market segment with an aim of maintaining their competitive advantage. The findings revealed that by use of agency banking commercial banks were able to increase their transactions, including cash withdrawals, funds transfer as well as deposits, from people who were considered to be of low income. The current research sought to address these aspects of agency banking and in particular whether Small scale enterprises engaging in agency banking are able to increase the sales and profitability from engaging in transactions of agency banking.

5.2 Common Costs

A study was conducted by Ombutora and Mugambi (2013) pertaining to how agency banking had affected the performance of banking agency businesses. Nairobi. In conclusion and recommendation, the study established that there was a positive correlation between the transaction cost and performance of agent entrepreneurs. The variable, transaction cost, affect the performance of agent entrepreneurs with high transaction cost lowering performance of agent entrepreneurs while low transaction cost boosting the performance of agent entrepreneurs. The study however failed to appreciate the operational costs incurred by the Small scale enterprises in order to facilitate delivery of agency banking to customers. The current research sought to address how the common costs of agency banking and the primary business affect the financial performance of small scale enterprises operating banking agents in Kiambu County, Kenya.

Veniard and Melinda (2010) did a study on economics of small accounts in Africa, Latin America and Asia and how agency banking influences them. The study findings indicated that banking agencies were up to three times cheaper to operate as compared to bank branches. The main reason being that agency banking minimizes fixed costs by leveraging on the existing business thus the banks do not invest on their own infrastructure. This research proved agency banking lowers fixed costs for banks. It did not consider how this affects the agents in relation to common costs of agency business and the primary business. The current research sought to find out whether there are any cost saving advantages for Small scale enterprises that have embraced agency banking.

5.3 Agency Liquidity

A study was conducted by Musau (2013) on the utilization of agency banking and the performance of selected banks in Nairobi County. Among other findings, his study established that the liquidity availability affects the performance of banks. The study did not look at how agency liquidity also affects the financial performance of bank agents. The current study sought to fill the gap by establishing the effect of agency liquidity on the financial performance of bank agents.

Achieng (2011) did a study on strategies applied by bank agents in order to sustain their market share. The findings of this research indicated that the success of banking agents depended on service to the clients, efficiency of the technology and depth of knowledge of the banking products beingoffered. This study focused much on developing measures on increasing the market share such as without specifically looking into how agency liquidity also affects the performance of banking agents. The current research sought to evaluate the effect of agency liquidity on financial performance of primary businesses of small scale enterprises in KiambuCounty,Kenya.

5.4 Regulation by Central Bank of Kenya

A study was done by Kirimi (2011), on the level of implementation of agency banking amongst the commercial banks in Kenya. The research determined that there was difficulty in the enforcement of appropriate oversight by the CBK in the interactions of the agents and the customers. The research concentrated mainly on training of agents only as a support service offered by banks to their agents. The current research established how regulation CBK affects the financial performance of Small scale enterprises operating agency banking services.

A study was conducted by Ndung'u, Okibo and Nyang'au (2015) pertaining to the factors that affect the performance of banking agency business in Kenya. The researchers evaluated the effect of fraud, financial literacy, network capability and cost of financial services. The conclusion of the study was that financial literacy and cost of financial services had greatest impact on the performance of the agencies. Although the study recommended that the banks invest more in training of customers on the products of agency banking, it failed to investigate the role played by CBK on Small scale enterprises financial performance. The current research sought to address how regulation by CBK moderates the financial performance of Small scale enterprises operating baking agents in Kiambu County, Kenya.

6. Conceptual Framework

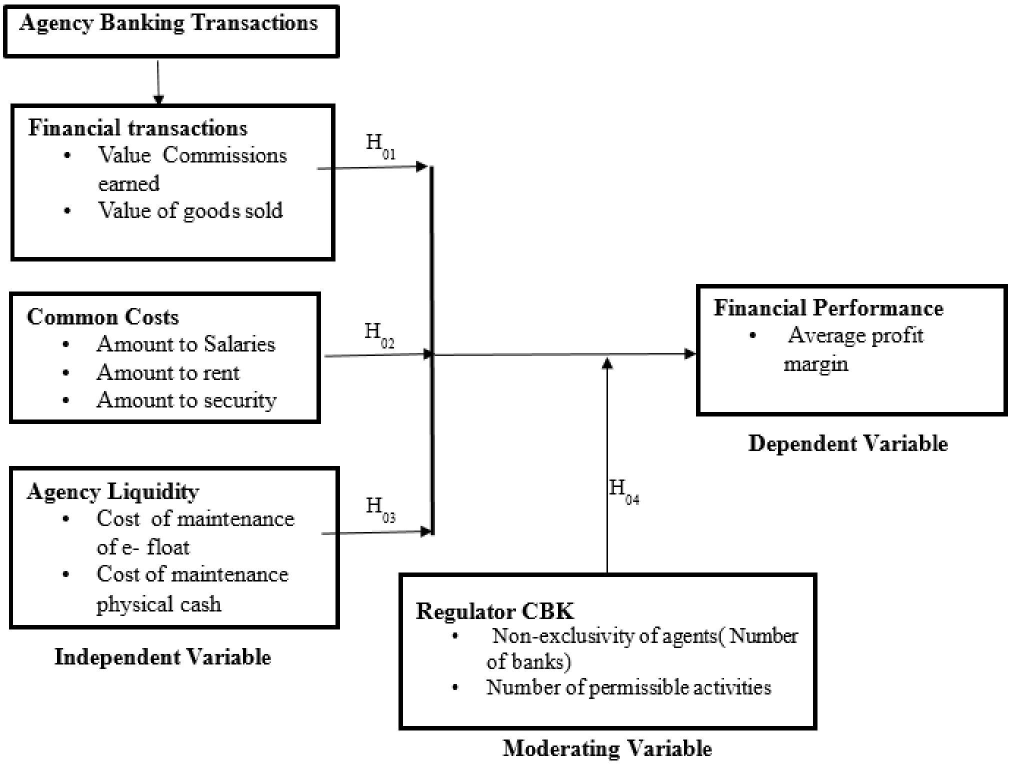


Figure 1: Conceptual Framework

7. Research Design and Methodology

7.1 Research Design

The study adopted the cross sectional descriptive survey combined with explanatory research design to determine the effect of agency banking transactions on financial performance of primary businesses of small scale enterprises in Kiambu County, Kenya. With the cross sectional survey, data was observed and gathered at a point in time. According to Orodho (2004) cross-sectional study design allows the researcher to compare many variables at the same time. The descriptive design assisted the researcher to obtain the characteristics of the population and also test hypothesis. Explanatory research design was incorporated to assist in explaining the relationship between variables and test relationships supported by theories .This design was necessary as regression analysis was carried out (Orodho, 2004).

7.2 Target Population

Target population is the total group of individuals from which the sample might be drawn (Mugenda&Mugenda, 2003). The target population was all agents of Equity Bank, KCB and Cooperative Bank operating in Kiambu Town totaling to 168.

7.3 Sample and Sampling Procedures

A sample represents a fraction of the population such that the selected portion represents the whole population in an adequate manner. This study adopted stratified random sampling of agents of KCB, Equity and Co-operative bank in Kiambu Town. In stratified random sampling, the population is divided into two or more appropriate subsets or strata basing this division on one or several attributes (Saunders, Lewis& Thornhill, 2009). A random sample of 30% was drawn from each of the subsets. According to Mugenda and Mugenda (2003), a sample of between 10 to 30% is considered good enough if well-chosen and the sample is more than thirty. For the exact businesses to participate in the study, simple random technique was used as it offered every member of the population an equal chance of being included in the sample.

7.4 Data Collection

The research adopted a structured closed and open ended questionnaire which was administered face to face as the main instrument of data collection. Majority of the questions in the questionnaire were closed ended but there were also few open ended questions so that the respondents could elaborate further on their responses.

7.5 Data Analysis and Presentation

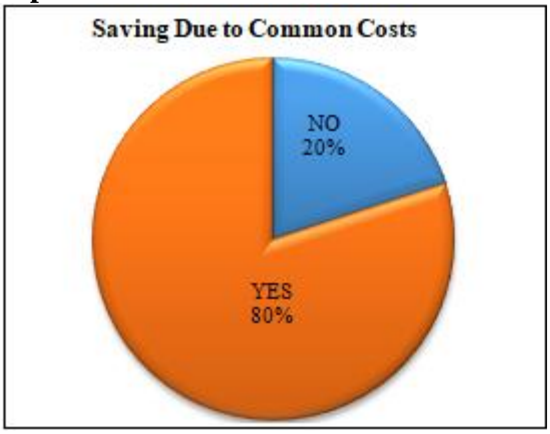
Quantitative data was analyzed using both descriptive and inferential statistics. Descriptive statistics used included percentages, means and standard deviation. Further regression analysis was used to deduce meaning from the data. Statistical Package for Social Sciences (SPSS) package was used to analyze the quantitative data. The research hypotheses was tested by using the generated p value while the effect of the independent variables on the dependent variable was determined by using the regression equation as shown below:

$Y = ß_0 + ß_1 X_1 + ß_2 X_2 + ß_3 X_3 + \varepsilon$
Where Y= Financial performance
X_1 =Financial transactions
X_2 =Common costs
X_3 =Agency liquidity
ε=Error term

To test the moderating effect of regulation by CBK the equation below was derived:
$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 ++ \beta_3X_{3+}\ \beta_4X_4 + \beta_{14}X_1X_4 + \beta_{24}X_2X_4 + \beta_{34}X_3X_4\ \varepsilon$
Where X_4= Regulation by Central Bank of Kenya

Moderation is confirmed if the strength if the model is increased even further due to this interaction.

8. Empirical Results



8.1 Descriptive findings for Agency Financial Transactions and Financial Performance

Respondents were asked to indicate the volume of transactions undertaken on a daily basis. Table 1 shows the results.

Table 1: Daily Transactions

Daily Transactions	Frequency	Percentage	Cumulative percentage
1-20	5	9.8	9.8
21-40	8	15.7	25.5
41-60	16	31.4	56.9
Above 60	22	43.1	100

The results shown by Table 1, indicate that 43.1% (n=22) of the agency businesses record more than 60 financial transactions in a day, 31.4% (n=16) record between 41-60 transactions while 15.7% (n=8) record between 21-40 transactions in a day. This shows that bank clients are visiting bank agents fundamentally reducing the trips they make to the banks. In addition to the volume of transactions of the agency, respondents were asked to indicate the number of transactions undertaken per a listed range of deposits, withdrawals and other transactions. The researcher used this information to deduce the value of commissions earned from these transactions. Tables 2-4 show the results.

Table 2: Average Commission Income-Cash Withdrawals

Cash withdrawals	Average no of Transactions	Average Commission (Ksh.)	Value of Commissions (Ksh.)
100-2500	10	15	150
2501-5000	8	25	200
5001-10000	5	35	175
10001-20000	4	60	240
20001-35000	5	70	350
35001-50000	1	90	90
50001 and above	2	120	240
Total	35		1,445

The results shown by Table 2 indicate that agents make an average of thirty five withdrawals in a day out of which majority of the withdrawals (ten) were for small value transactions. The value of commissions from the withdrawals indicated were deduced to be an average of Kshs 1,445. The findings are in line with a study by Hamblen, (2008) which stated that bank agents facilitate financial transactions on behalf of the banks and are paid according to the volume of transactions undertaken. The study established that majority of commissions made were for small value transactions. This indicates that most customers who visit bank agents conduct mostly small value transactions which would have been uneconomical to travel and conduct in a bank branch that is far away.

Table 3: Average Commission Income-Cash Deposits

Cash Deposits	Average Number of Transactions	Average Commission (Ksh)	Value of Commissions (Ksh)
10-5000	11	10	110
5001-10000	4	15	60
10001-20000	5	20	100
20001 and above	2	30	60
Total	22		330

The results shown by Table 3 indicate that agents make an average of twenty two deposits in a day out of which majority of the deposits (eleven) were for small value transactions. The value of commissions from the deposits indicated were deduced to be an average of Kshs 330.From the findings above, commissions on deposits are quite low compared to cash withdrawals. The reason could be due to the fact that customers do not pay for the deposits transactions yet banks still pay the commissions to the agents. Most customers seem to shy away from depositing huge amounts of cash at the agency banking outlets due to security reasons. Customers cite security risk of losing their cash to fraudulent agents or cash not reflecting in their bank accounts after depositing at the banking agent (Kariuki, 2015).

Table 4: Average Commission Income-Other Transactions

Other Transactions	Average no of Transactions	Average Commission (Ksh)	Value of Commissions (Ksh)
Account Opening	1	100	100
Bill Payments	5	25	125
Balance Enquiry	5	5	25
Total	11		250

The results shown by Table 4, indicate that apart from withdrawals and deposits, customers also engage in other permissible activities of an average of eleven transactions in a day. The value of commissions from the other transactions indicated were deduced to be an average of Kshs 250.This implies that customers of agency banking are engaging in fewer of the permissible activities. According to Kithuka (2012), it is evident that many customers prefer to undertake major transactions at the bank branches as they are not aware of all of the permissible activities being offered by the banking agents.

8.2 Descriptive findings for Common Costs and Financial Performance

Respondents were asked to indicate whether there are any cost saving advantages for the small scale enterprises that have embraced agency banking. Figure 2 shows the results.

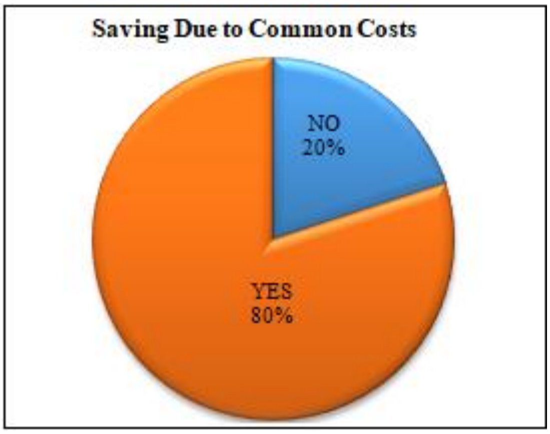


Figure 2: Saving Due to Common Costs

Based on the results on figure 2, majority of respondents representing 80% indicated that embracing agency banking had enabled the business to save on costs while 20% indicated it had not enabled cost savings. Businesses that incorporated agency banking into their existing business saved on the operational costs because attributed to more income since agency banking is an added business on the side to grow the business as an additional source of revenue from fees and commissions. The findings are in line with Veniard and Melinda (2010) which indicated that banking agencies were up to three times cheaper to operate as compared to bank branches. The findings also concur with Kambua (2015) who also noted that the infrastructural cost is low in agency banking, efficiency and convenience in operating bank agents has contributed to increased customer transactions and thus increased financial performance of banks.

8.3 Descriptive findings for Agency Liquidity and Financial Performance

The respondents were asked to indicate how often their businesses suffer from lack of cash for withdrawals and deposits.

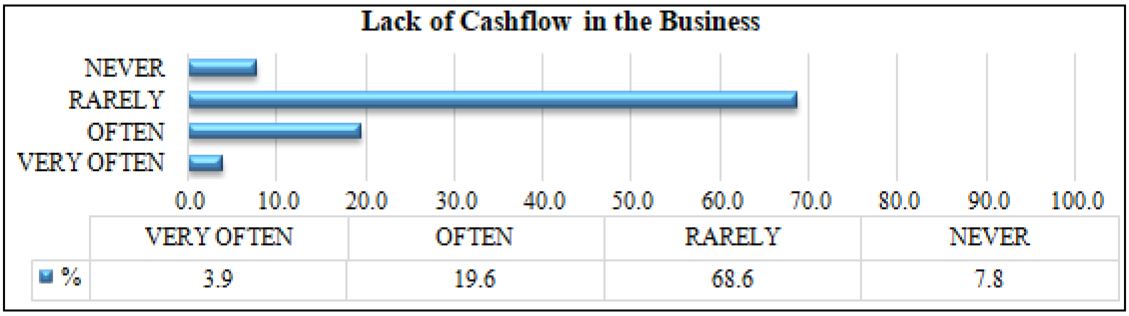


Figure 3: Lack of Cash Flow in the Business

Responses from the figure 3 indicated that 68.6% of businesses rarely suffer from lack of cash for withdrawals and deposits. The findings confirm that the agency business rarely suffer from lack of cash flow due to the additional flow of income from the primary business. This helps avoid cash flow problems that lead to customer frustration.

This concurs with a survey by Microsave (2014) which indicated that the number of transactions undertaken determines the profitability of agents and thus those agents who turn away customers by denying a high percentage of the transactions are less profitable. The reason being that the volumes of transactions are a driver to profitability and thus liquidity outage has a bad implication on the sustainability of an agency business. Customers also lose trust on such an agency as this erodes the trust that has been built since the introduction of agency banking and a major hurdle that financial service providers have to overcome to drive adoption and usage.

8.4 Descriptive findings for Moderating Effect

The respondents were requested to indicate how their business as an agent has been affected by regulation of CBK. The results are indicated on table 5

Table 5: Regulation by CBK

	Mean	Standard Deviation
Customers are aware of all the permissible activities of an agent as approved by the CBK and hence effect on commissions earned.	2.47	1.08
Approval by CBK allowing a small scale enterprise to work as an agent for multiple banks has promoted financial performance of my business.	3.02	0.68

Based on the results on table 5, the respondents were neutral to the statement that their customers are aware of all the permissible activities of an agent as approved by the CBK with a mean of 2.47. However this opinion had a considerable standard deviation of 1.08 meaning that respondents varied in their opinion to this statement .The reason for this could be because the customers of agency banking engage few of the permissible services; mainly in cash withdrawals, cash deposits, bill payments and balances requisitions despite the fact that permissible services that the agents are allowed to offer are many. This is attributed to low levels of financial literacy on agency banking among customers and could have an effect on the performance of banking agents. This study agrees with a study conducted by Ndung'u, Okibo and Nyang'au (2015) which recommended that the banks invest more in training of customers so as to improve levels of financial literacy in order to push more end user acceptance and for users to know about all the transactions they could undertake at a bank agent outlet.

Based on the results on table 5, the respondents agreed with a mean of 3.02 and a standard deviation of 0.68 that the regulations by CBK allowing a small scale enterprise to work as an agent for multiple banks had promoted financial performance of their business. All of the businesses sampled were acting as bank agents for more than one bank alongside their primary business. This means that a business is able to be an agent of several banks in one premise. This finding backs the regulation by CBK on the clause that empowers agents to provide agent banking services for to multiple banks as long as an agent has different contracts and has the capacity to manage the transactions for each of the institution (CBK, 2010).

8.5 Inferential Statistical Results and Discussions

This section shows the correlational results of the relationship between the independent variables and dependent variables.

8.5.1 Financial Performance and Financial Transactions

The Inferential results statistics that relate to Agency Banking Transactions are shown on table 6:

Table 6: Agency Banking Transactions and Financial Performance Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
		B	Std. Error	Beta			
	(Constant)	1.521	.836		1.819	.000	1
	X1	.042	.074	.086	.567	.030	1
	X2	-.150	.209	-.120	-.718	.022	1
	X3	.367	.274	.222	1.339	.013	1
a. Dependent Variable: Y							

The coefficient table estimated the equation $Y = 1.521 + 0.042\, X_1 - 0.150\, X_2 + 0.367 X_3$

The coefficients of the model imply that for every unit increase in (X1) financial performance will increase by 0.042 units while for every unit increase in (X2) financial performance will decrease by 0.15 units while for every unit increase in (X3) financial performance will increase by 0.367 units.X1 was found to be significant in the model (t = 0.56, P = 0.30) ,(X2) was found to be significant in the model (t = -0.718, P = 0.22 and (X3) was also found to be significant in the model (t = 1.339, P = 0.13) therefore all the independent variables were useful in increasing financial performance.

The findings resonate with (Neil & Leishman, 2010) who established that banking agents who provide a range of services such as deposits, withdrawals, bill payments, checking of balances, account opening and as well as engage in selling of goods and services of the primary business are able to generate many transactions, make more sales and balance liquidity hence improve on their financial performance.

The findings are also in agreement with argument by Ombutora&Mugambi (2013) pertaining to how agency banking affects the performance of banking agencies. The study established that costs of transactions affect the performance of banking agents. The results of this study now show that financial performance of Small scale enterprises also increased due to decreased costs attributed to sharing costs between the primary business and the agency business.

The findings resonate with a study conducted by Maina (2014) on factors influencing the endorsement of agency banking services by customers in KCB in Kenya. The study concluded that agency liquidity affects the uptake of agency banking services as Agencies that were recorded to have well maintained liquidity were able to retain more clients. This implied that more transactions were undertaken when an agent is able to maintain liquidity and hence improved financial performance.

8.5.2 Moderating Effect

The Inferential results statistics that relate to moderating effect are shown on table 7:

Table 7: Regression Results for Moderating Effect

	Model	F	R^2	$\triangle R^2$	Sig
Model$_1$	$Y = 1.521 + 0.042\ X_1 – 0.150\ X_2 + 0.367X_3$	0.725	0.591	-	0.044
Model$_2$	$Y = 2.433 + 0.031X_1 – 0.044\ X_2 + 0.227\ X_3 + 0.006\ X_4 + 0.020\ X_1X_4 + 0.406\ X_2\ X_4 - 0.179\ X_3\ X_4$	3.119	0.302	-0.289	0.054

The coefficients of Model$_1$ which does not include the moderating variable are higher than the coefficients of Model$_2$ which involves the influence of the moderating variable. From these results it is evident that Regulation by Central Bank of Kenya did not add value as a moderator in the model. In fact it weakened the R^2 value of Model$_2$ where the moderator was introduced additionally the model was not significant p>0.05. For these reasons it was not possible to reject the null hypothesis (H_{04}) that Regulation by Central Bank of Kenya had no statistically significant moderating effect on the relationship between Agency Banking Transactions and Financial Performance of Primary Businesses of Small scale Enterprises in Kiambu Town, Kenya.
The findings of the study agree with Kirimi (2011), which revealed that enforcing oversight on the interaction of the customer and the agent is difficult. The viable solutions to this were regular trainings of agents on agency banking policies and supervision by the banks.

9. Summary of the Study

The first objective of the study was to determine the effect of agency financial transactions on the financial performance of primary businesses of SMEs in Kiambu Town, Kenya. The study hypothesized that there was no effect between agency financial transactions and the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya. The study finding was that financial transactions of agency banking have a positive and significant relationship with the financial performance of SMEs as the p- value was 0.03

The second objective was to determine the effect of common costs on the financial performance of primary businesses of SMEs in Kiambu Town, Kenya. The study hypothesized that there was no effect between common costs and the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya. The study finding was that common costs have a negative and significant relationship with the financial performance of SMEs as the p- value was 0.022

The third objective was to determine the effect of agency liquidity on the financial performance of primary businesses of SMEs in Kiambu Town, Kenya. The study hypothesized that there was no effect between agency liquidity and the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya. The study finding was that agency liquidity have a positive and significant relationship with the financial performance of SMEs as the p- value was 0.013

The fourth objective was to establish the moderating effect of Central Bank of Kenya on the financial performance of primary businesses of SMEs in Kiambu Town, Kenya. The study hypothesized that there was no moderating effect of regulation of Central Bank of Kenya and the financial performance of primary businesses of Small scale enterprises in Kiambu Town, Kenya. The study finding was that moderating effect of Central Bank of Kenya does not have a significant moderating effect on the financial performance of SMEs as the p- value was 0.054.

10. Conclusion

The study concludes that primary businesses boost their income from the commissions received from the banks and gain additional business from the customers who purchase goods and services from their shops after engaging in agency transactions. Customers have preference for the banking agent where they undertake their agency banking transactions thus driving more patronage and sales opportunities for the primary business. The study concludes that primary businesses involved in agency business also save on operational costs since the same resources are used to derive additional income thus boosting their profits. The study concludes that bank agents rarely suffer from lack of liquidity due to the additional flow of income from the primary business.

11. Recommendations

The study recommends a public awareness campaign on the services offered by banking agents with bias towards other services offered by banking agents apart from cash withdrawals and deductions. This study therefore recommends creation of an adequate agent management framework that will effectively determine the number of agents within a certain radius. The current study established that regulation by CBK had no moderating effect on the interactions between the variables. The findings of the study differ with other studies which established that the CBK has a moderating effect on banking. Further research on this moderating variable is therefore important in order to establish its relationship with agency banking. The study also recommends simulation of this study in the other towns in Kenya.

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