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An Assessment of the Effectiveness of Agency Banking Interventions in Deepening Financial Inclusion: A Case Study of Centenary Bank Uganda

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Abstract. *This study assesses the effectiveness of the agency banking interventions in deepening financial inclusion in Uganda. The study employed a descriptive research design and purposively collected data from 50 Bank customers and staff of Centenary Bank Ltd. in Kampala District. The data was collected using a self-administered research instrument with an overall Cronbach's reliability coefficient of 0.775 and was analysed using frequency analysis and the p-value approach. The study findings provided evidence that the following agency banking interventions: i) Providing information and ensuring that the excluded were informed about bank products and services, ii) Improving access to formal financial services for poor individuals by introducing delegated credit products to the existing savings groups with complimentary savings accounts. iii) Providing loans to savings groups later benefit individuals within the groups. iv) Encouraging the public to have personal contact with bank agents to obtain information about the banking system. v) Dispelling the myth that banks only exist for the rich had a statistically significant effect ($p < 0.05$) in deepening financial inclusion in Uganda. However, the agency banking intervention of using the electronic delivery of services to enhance service delivery to people with low incomes in rural areas did not significantly deepen financial inclusion in Uganda. The challenges agency banking faces in deepening financial inclusion in Uganda include unstable networks, liquidity problems, delayed or inadequate communication in case of failed transactions, cash shortages during periods of peak demand, the minimal role of bank agents, and fraud issues on the part of bank agents. It is recommended that the visibility of the agency banking outlets should be enhanced, banks should sensitize the public about agency banking, digital skills, and financial literacy, reduce the state public administration expenditure and channel the savings into infrastructural development in the rural electrification and connectivity improvements areas to enable enhanced delivery of electronic service systems in rural areas, banks in Uganda should closely work with the telecommunications companies for more reliable and stable networks that would guarantee improved delivery of agency banking services, the telecommunications companies should carry out more aggressive marketing campaigns to improve the telephone density in the country, people with adequate financial resources should be appointed as bank agents, comprehensive training in areas of business planning and management to the prospective bank agents before they are formally appointed, monitor the activities of the bank agents on a regular basis, and more due diligence should be exercised when appointing bank agents to avoid agents with questionable backgrounds.*

KEYWORDS*:* Agency banking, Uganda, financial inclusion, interventions, bank agents, Centenary Bank.

INTRODUCTION

The recent advancement in the banking sector has helped transform banking and financial services from traditional delivery methods to a system involving other modes such as online money transactions, internet banking, automated teller machines, and credit or debit cards. However, accessibility to such modes of service delivery in banking is restricted and narrowed to specific segments of society. Large populations, especially the poor and disadvantaged social groups, have limited access to the world's basic banking and financial services, and this is referred to as financial exclusion. Most individuals living on low incomes cannot access mainstream financial services and financial products such as payment services, insurance, loans, savings accounts, and depositing money. On the other hand, financial inclusion or inclusive financing refers to the ability of households and businesses to have access to and use a broad range of affordable and quality financial services and products availed in an appropriately simplified, dignified, and responsible manner in a well-regulated environment (Lukamu et al., 2019; World Bank Report, 2018a). According to the Bank of Uganda Report (2020), the economic mobility of financial consumers and the economic growth predicated on the relationship between financial inclusions and economic development are unlikely to materialise without the appropriate usage of financial products and services. Uganda is an emerging economy; therefore, ensuring access to financial services for the economically active poor is one of the significant factors that help alleviate poverty and achieve sustainable economic growth. Accessibility to a wide range of financial services significantly impacts people's ability to make investments and empowers them to obtain physical assets (Akileng et al., 2018).

The Foundation for International Community Assistance (FINCA) Report (2020) indicated that over the last 20 years, the economy of Uganda has grown substantially due to broad access to essential resources such as energy, water, education, and health services. Nevertheless, 34% of the population is financially excluded; therefore, the growth in businesses and income levels is still limited in Uganda (The National Financial Inclusion Strategy, 2023-2028). The limited access to financial services persuaded the government of Uganda and development partners to intervene and promote financial inclusion through agency banking, which is defined as a working partnership between a regulated financial institution and the community, markets, industries, and other groups outside the formal economy (Gabor & Brooks, 2017). Agency banking was introduced as an instant relief to customers to cover up the gap, which was not adequately improved by mobile money services. It is viewed as an extension of services traditionally offered by commercial banks whereby a third party provides services on behalf of the bank outside the traditional avenues of tellers, automatic teller machines, and bank premises (United Nations Capital Development Fund (UNCDF), 2019).

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The Financial Sector Deepening (FSD) Report (2018) asserts that agency banking helps to enhance understanding of the relationship between savings, lending, and financial service providers. In Uganda, the financial sector has experienced significant changes since 2000; however, a large percentage of funds is unbanked due to limited bank outreaches in the country, lack of regulations to encourage the private sector to bank the unbanked, and limited information regarding consumers' levels of financial capability (Sebudde, 2017). According to the Banking and the Status of Financial Inclusion Report (2018),11% of the adults used services from banks, 9% of whom had accounts, and 2% did not have bank accounts. The banking sector has, therefore, had to become innovative to ensure that a more significant percentage of the population in Uganda embraces financial inclusion, and several banks, including Centenary Bank Uganda, have come up with agency banking to enhance financial inclusion (Sonko & Kawooya, 2020). Therefore, this study aims to assess the effectiveness of agency banking interventions in deepening financial inclusion and the challenges agency banking faces, using Centenary Bank as a case study.

Objectives of the Study.

The study's objectives were: 1) To assess if the various agency banking interventions significantly deepen financial inclusion. 2) To determine the challenges faced by agency banking in deepening financial inclusion.

Research Hypotheses.

The null hypotheses for the study are:

H_{01}: The agency banking intervention, of providing information and ensuring that the excluded are informed about bank services, has no significant effect on deepening financial inclusion.

H_{02}: The agency banking intervention of improving access to formal financial services for poor individuals by introducing delegated credit products to the existing savings groups with complimentary savings accounts has no significant effect on deepening financial inclusion.

H_{03}: The agency banking intervention of providing loans to savings groups, which later benefit individuals within the groups, has no significant effect on deepening financial inclusion.

H_{04}: The agency banking intervention of encouraging the public to have personal contact with bank agents to obtain information about the banking system has no significant effect in deepening financial inclusion.

H_{05}: The agency banking intervention of using electronic service delivery to enhance service delivery to people with low incomes in rural areas has no significant effect on deepening financial inclusion.

H_{06}: The agency banking intervention, which encourages the financial sector to apply more capital and technology to reach the unbanked and underbanked, has no significant effect on deepening financial inclusion.

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H_{07}: The agency banking intervention of dispelling the myth that banks only exist for the rich has no significant effect in deepening financial inclusion.

LITERATURE REVIEW

The National Strategy for Financial Inclusion Report (2019) defines financial inclusion as ensuring appropriate access to financial products and services at an affordable cost to all citizens and vulnerable groups, such as low-income groups. It is a crucial element mainly used to combat poverty and income inequality by opening blocked financial opportunities for the disadvantaged segments of the population (Omar & Inaba, 2020). Financial inclusion eases access to financial services such as insurance, credit, savings, and other banking payment services by all citizens at an affordable cost (World Bank Group Annual Report, 2020). Additionally, Kandpal et al. (2023) posit that the key drivers of financial inclusion are financial innovation, poverty levels, financial sector stability, the state of the economy, financial literacy, and regulatory framework. The financial inclusion concept dates way back to 1904 and gained momentum between 1969 and 1980 in India. However, the real thrust of financial inclusion started in 2005 when the Reserve Bank of India highlighted its significance in its annual policy statement. As more commercial banks were nationalised and opened more branches in large numbers across the country, a solid foundation for the country's financial infrastructure was established. The World Bank Report (2018a) indicated that financial inclusion allows people to create simple, current, and savings accounts and quicken the crediting of social benefits to the account of the owners. This helps earners manage their funds and facilitate incoming and outgoing payments, which later encourages investment through increased capital formation from the savings, leading to economic growth and development. Furthermore, financial inclusion helps create employment opportunities and ensures the growth and development of micro-enterprises, which help provide employment opportunities (FINCA International Report, 2017). Greater levels of financial inclusion can ease and increase participation of different sectors in the economy in the formal financial system since an increase in the share of the formal financial sector leads to the strengthening of the interest rates as a critical policy tool for macroeconomic stability, which has a positive effect for economic growth (Ozili, 2018). Through multiple channels, interest rates may be expected to become more effective policy tools for financial inclusion. Since financial inclusion enhances access to credit, a decline in interest rates reduces the cost of credit and increases demand for investment funds for business owners, leading to growth and development (Heng & Chea, 2021).

One of the tools for promoting financial inclusion is agency banking, and its goal is to ensure that all partners apply their respective organisational strengths and resources to provide sustainable and effective access to finance and economic opportunities for those who would otherwise be disadvantaged (Malladi et al., 2021). It has been argued that agency banking has the potential to ensure that the excluded get informed about all the available products and services and gain trust in suppliers and the financial system (World Bank Report, 2018b).

Agency banking significantly improves access to formal financial services for poor individuals by introducing delegated credit products to the existing savings groups and a complimentary savings account (Development Bank of Latin America and the Caribbean Annual Report, 2018). Additionally, loans are provided to a group and not to a single individual, and later, the individuals of the saving groups benefit from the agency bank credit. The potential expansion of credit operates through a particular credit-rationing channel where the bank provides additional funds to the groups, and the groups use the funds to provide credit to members, which results in the social and economic empowerment of the beneficiaries (Burlando, 2020). Agency banking helps scale up financial inclusion through the intervention of personal contacts with bank agents, providing available information to members about the banking system (Nisha et al., 2020). People avoid banks because they do not understand how bank services are offered. However, through the establishment of the Village Savings and Loan Association (VSLA), banks have had an opportunity to dispel the myth that banks only exist for the rich, and as asserted by Abraham (2018), the public has witnessed Centenary bank work with those who were previously excluded from banking services on issues such as opening bank accounts, paying interest on their savings, and assisting them with various transactions in the bank.

Despite the various agency banking interventions to deepen financial inclusion in Uganda, agency banking still faces several challenges. Agency banking is third-party banking where an individual is appointed after approval of the central bank to conduct business on behalf of a financial institution (Lotto, 2016). The financial institution selects and briefs agents later approved by the Bank of Uganda. Upon approval, the financial institution signs contracts with agents, trains them, and brands their premises before commencing the transactions. The Bank of Uganda Report (2017) specifies that one must hold an account with a particular bank and be registered for agent banking to carry out agent banking services. The services offered by an agent include the following: Supporting account opening and loan applications, provision of third-party payment services, provision of account statements, receipt and forwarding of documents concerning loans and lease applications, payment of retirement and social benefits, money transfers, and school fees payment. However, bank agents are prohibited from making cheque deposits or encashments (Financial Institutions Agent Banking Regulations, 2017). Furthermore, bank agents are not permitted to subcontract other persons to provide banking services when the systems are down, carrying out transactions in the customers' absence and charging fees directly from a client.

Although agent banking has helped bridge the financial services gap for the public, it still offers clients a limited range of services. Agency Banking faces various challenges that impact its services, including the agents' liquidity issues, which arise when the accounts (e-float) are depleted or due to inadequate cash. The above situation usually happens when the demand for withdrawals is high, so the agents accumulate e-float but run out of cash. Nevertheless, agents are required to monitor this issue through liquidity planning by predicting and responding to fluctuations, liquidity monitoring through float stock-taking and sending out alerts to the

financial institutions for rebalancing once a specific limit has been reached, and liquidity rebalancing which is the act of reloading the agents' cash drawers when necessary (Chassin & Balaba, 2020). Fraud issues tend to hamper agency-banking progress since most agency staff are targeted by fraudsters who tend to obtain funds, assets, credits, or other property owned by or under the custody of a financial institution, using false representations (Federal Deposit Insurance Corporation (FDIC), 2017). In the last 15 years, fraudulent transactions perpetrated by third parties have significantly escalated, and fraud leads to emotional loss to the clients and affects clients' relationship quality and loyalty. Moreover, banks incur substantial operating costs by refunding clients' monetary losses, and agents are most likely to lose their jobs (Githae, 2018). According to the Financial Sector Deepening Report (2017), there have been delayed or inadequate responses from the mother bank customer care helpline in case of failed transactions or system failures. Such failures are related to network issues due to connectivity problems. The Banking and Status of Financial Inclusion Report (2018) emphasises a limited range of products and services that agency banking should offer. For instance, bank agents are restricted from opening bank accounts for clients because they have limited bank-merchandising material, and this responsibility belongs to the mother banks. The other services that the bank agents are not allowed to carry out are foreign exchange services, the distribution of debit or credit cards, and issuing chequebooks to clients. This inadequacy of bank agents to provide and meet customer expectations is a great challenge (Yawe, 2018). Agency banking also faces the challenge of insecurity, for instance, backdoor attacks by hackers who access the network settings by installing malware that can surpass a network's standard security requirements and authentication by deceit and proper hiding. This compels users to disconnect from the internet and format the computers, which results in losing important information (Mohurle & Patil, 2017). Therefore, banks must invest in more reliable security systems to safeguard customers' and agents' funds (Yazbeck, 2019).

JUSTIFICATION FOR THE STUDY

In Uganda, a large percentage of funds is unbanked due to limited bank outreaches in many areas, lack of regulations to encourage the private sector to bank the unbanked, and limited information regarding consumers' levels of financial capability (Sebudde, 2017). While Uganda's financial sector has experienced significant changes since 2000, the industry remains fragmented, and a substantial section of the population remains unbanked. Statistics show that 11% of the adults used services from banks, 9% had accounts, and 2% did not have an account in Uganda (Uganda Banking Sector and Financial Inclusion Report, 2018). Since 2017, the banking sector has come up with some innovations, and several banks, including Centenary Bank Uganda, have licensed agency banking outlets to extend the banking services nearer to the people. Several studies have been conducted on agency banking and financial inclusion in Uganda. For instance, Mugisha (2018) concentrated on the agency banking implementation in Uganda, Yawe (2018) discussed innovation and financial inclusion, and Sebudde (2017) studied financial inclusion and rapid growth. The other studies that addressed the effectiveness

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of agency banking and financial inclusion were conducted in different countries, such as Bangladesh (Banerjee et al., 2017) and Kenya (Muasya, 2015). All the previous studies did not address the effectiveness of agency banking interventions in deepening financial inclusion in Uganda, and this study is expected to fill the existing research gap.

METHODOLOGY

This descriptive study aimed to assess the effectiveness of agency banking interventions in deepening financial inclusion in Uganda and examine the challenges agency banking faces in carrying out the above task. The study employed a descriptive analysis design where primary data was collected, and the justification for choosing a descriptive research design was based on Mugenda and Mugenda (2003) and Sekaran and Bougie (2013). A descriptive research design enables data collection to answer questions related to the status or aspects of the study subjects (Mugenda & Mugenda, 2003; Sekaran & Bougie, 2013). The study adopted a survey strategy to collect primary data from 50 Bank customers and staff of Centenary Bank Ltd. in Kampala District. In terms of sampling, the participants were selected using a purposive sampling technique from a population of 500 Centenary Bank staff in Kampala and 15,000 Village Savings and Loans Association customers. Out of these populations, 45 VSLA customers and five staff at the management level were purposively selected for the study since only these were deemed to provide satisfactory responses. The survey-based approach helped the researchers capture and measure the participants' beliefs regarding the effectiveness of agency banking interventions in deepening financial inclusion in Uganda and examine the challenges faced by agency banking. The study utilised self-administered questionnaires to collect primary data, which was later analysed using frequency analysis and the p-value method. The nature of the study prompted the researchers to employ frequency analysis and the p-value method in data analysis. Such techniques summarise and describe data (Sun, 2009). The data contained the participants` beliefs of the extent of the selected interventions of agency banking in deepening financial inclusion in Uganda and the level of agreement on the challenges agency banking faces in fulfilling the above task. The responses to the extent to which agency banking interventions could deepen financial inclusion in Uganda were recorded on a scale of 1-5 as follows:
1-No Extent, 2-Little Extent, 3-Moderate Extent, 4-Great Extent, 5- Very Great Extent.

The responses to the level of agreement on the statements related to challenges facing agency banking were recorded on a scale of 1-5 as follows:
1-Strongly Disagree, 2-Disagree, 3- Slightly Agree, 4-Agree, 5-Strongly Agree.

To reject any of the null hypotheses H_{01}, H_{02}, H_{03}, H_{04}, H_{05}, H_{06}, and H_{07}, the decision rule was that a p-value of less than or equal to 0.05 and the mean falling within the 95% confidence interval signified a significant effect of a particular agency banking intervention under consideration in deepening financial inclusion in Uganda. Furthermore, this result implied that there were specific interventions of agency banking that could deepen financial inclusion in

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Uganda. The banking agency interventions with more significant p-values (p-value > 0.05), even with means falling within the 95% confidence interval, signified that the agency banking interventions with such values had no significant effect in deepening financial inclusion in Uganda.

STUDY RESULTS

Table 1 presents the survey results on the extent to which agency banking interventions could deepen financial inclusion in Uganda. Table 2 presents the responses to the levels of agreement on the statements for the challenges facing agency banking. Table 3 reports the frequency analysis and the p-value method test results. These results contain the means, standard deviations, p-values, 95% confidence intervals, and the outcome for each intervention in terms of statistical significance.

Table 1: Extent to Which Agency Banking Interventions Could Deepen Financial Inclusion in Uganda

Intervention	No Extent	Little Extent	Moderate Extent	Great Extent	Very Great Extent
Provide information and ensure that the excluded are informed about bank services.	0.0%	0.0%	0.0%	18.0%	82.0%
Introducing delegated credit products to existing savings groups with complimentary savings accounts will improve poor individuals' access to formal financial services.	0.0%	0.0%	0.0%	30.0%	70.0%
Provide loans to savings groups, which later benefit individuals within the groups.	6.0%	0.0%	12.0%	36.0%	46.0%
Encourage the public to have personal contact with bank agents to obtain information about the banking system	0.0%	0.0%	18.0%	56.0%	26.0%
Use the electronic delivery of services to enhance service delivery to people with low incomes in rural areas.	34.0%	6.0%	28.0%	26.0%	6.0%
Encourage the financial sector to apply more capital and technology	0.0%	6.0%	6.0%	18.0%	70.0%

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to reach the unbanked and underbanked.					
Dispel the myth that banks only exist for the rich.	0.0%	0.0%	18.0%	18.0%	64.0%

Table 2: Level of Agreement on Statements Relating to Challenges Faced by Agency Banking in Uganda.

Statement	Strongly Disagree	Disagree	Slightly Agree	Agree	Strongly Agree
Agency banking experiences some liquidity problems.	0.0%	0.0%	6.0%	30.0%	64.0%
Fraud issues tend to hamper agency banking progress.	0.0%	0.0%	12.0%	46.0%	42.0%
Agency banking experiences delayed or inadequate communication in case of failed transactions or system failure.	0.0%	0.0%	12.0%	24.0%	64.0%
Unstable networks impact the delivery of agency banking services.	0.0%	0.0%	0.0%	30.0%	70.0%
Bank agents experience cash shortages during periods of peak demand.	0.0%	0.0%	10.0%	30.0%	60.0%
Agency banking points have a minimal role since they cannot open customer bank accounts.	0.0%	12.0%	50.0%	38.0%	0.0%
The bank agents' premises are a security concern for clients with large deposits.	0.0%	14.0%	52.0%	34.0%	0.0%

Table 3: Frequency Analysis and P-Value Hypotheses Test Results

Intervention	Mean	Standard Deviation	P Value	95% Confidence Interval	
				Lower Limit	Upper Limit
Provide information and inform the excluded about bank products and services.	4.82	0.38	0.00**	4.71	4.93
Introducing delegated credit products to existing savings groups with	4.70	0.46	0.00**	4.57	483

complimentary savings accounts will improve poor individuals' access to formal financial services.					
Provide loans to savings groups, which later benefit individuals within the groups.	4.16	1.05	0.00**	3.87	4.45
Encourage the public to have personal contact with bank agents to obtain information about the banking system	4.08	0.66	0.00**	3.90	4.26
Use the electronic delivery of services to enhance service delivery to people with low incomes in rural areas.	2.64	1.35	0.23	2.25	3.03
Encourage the financial sector to apply more capital and technology to reach the unbanked and underbanked.	4.52	0.86	0.00**	4.28	4.76
Dispel the myth that banks only exist for the rich.	4.10	1.24	0.00**	3.75	4.45

**p-value < 0.05

DISCUSSION OF FINDINGS

From the findings for the extent to which agency banking interventions could deepen financial inclusion in Uganda in Table 1, the study found that the majority of the respondents indicated that, to a very great extent the interventions of providing information and ensuring that the excluded are informed about the bank services (82.0%), improving access to formal financial services for the poor individuals through the introduction of delegated credit products to the existing savings groups with complementary accounts (70.0%), encouraging the financial sector to apply more capital and technology to reach the unbanked and underbanked 70.0%, dispelling the myth that banks are for the rich (64.0%) and providing loans to savings groups which later benefit the individuals in the group (46.0%). Most respondents indicated that, to a great extent, the intervention of encouraging the public to have personal contact with the bank agents to obtain information about the banking system (56.0%). The respondents indicated that, to no extent, the intervention of using the electronic delivery of services to people with low incomes in rural areas (34.0%).

From the findings for the level of agreement on the statements relating to the challenges facing agency banking in Uganda in Table 2, the study found that more than 94% of the respondents agreed that agency banking experiences liquidity problems. In comparison, more than 88% of the respondents agreed that fraud issues hamper agency banking progress. Furthermore, more than 88% of the respondents agreed that agency banking experiences situations of delayed or inadequate communication in case of failed transactions or system failure, and all the

respondents (100%) agreed that unstable networks impact the delivery of agency banking services. Additionally, more than 90% of the respondents agreed that Bank agents experience cash shortages during periods of peak demand. However, only 38% of the respondents agreed that agency banking points have a minimal role since they cannot open bank accounts for customers, and only 34% of the respondents agreed that the bank agents' premises are a security concern for clients with large deposits.

Table 3 presents the findings for testing the hypotheses, and a discussion of the study's findings based on the earlier decision rule is given below. In all the cases, the level of significance is 5%.

H_{01}: The study results for this hypothesis revealed that the mean = 4.82, standard deviation = 0.38, p-value = 0.00, and the 95% confidence interval for the population mean is 4.82 ± 0.11. The low standard deviation implies a high degree of concordance among the participants concerning the intervention since most were concentrated around the mean. Furthermore, the intervention showed a $p\text{-value} < 0.05$; the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of providing information and ensuring that the excluded are informed about bank services significantly deepened financial inclusion in Uganda. Therefore, the study failed to accept H_{01}.
H_{02}: The study results for this hypothesis revealed that the mean = 4.70, standard deviation = 0.46, p-value = 0.00, and the 95% confidence interval for the population mean is 4.70 ± 0.13. The low standard deviation implies that most of the participants' responses were concentrated around the mean and, therefore, had similar beliefs regarding the intervention under consideration. Furthermore, the intervention showed a $p\text{-value} < 0.05$, and the mean was within the 95% confidence interval for the population mean, which signified that the agency banking intervention of improving access to formal financial services for poor individuals through the introduction of delegated credit products to the existing savings groups with complimentary savings accounts has a significant effect in deepening financial inclusion in Uganda. Therefore, the study failed to accept H_{02}.

H_{03}: The study results for this hypothesis revealed that the mean = 4.16, standard deviation = 1.05, p-value = 0.00, and the 95% confidence interval for the population mean is 4.16 ± 0.29. The standard deviation was slightly high, implying a sizeable spread of the responses around the mean. Furthermore, the intervention showed a $p\text{-value} < 0.05$, and the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of providing loans to savings groups, which later benefit individuals within the groups, significantly deepens financial inclusion in Uganda. Therefore, the study failed to accept H_{03}.

H_{04}: The study results for this hypothesis revealed that the mean = 4.08, standard deviation = 0.66, p-value = 0.00, and the 95% confidence interval for the population mean is 4.08 ± 0.18. The low standard deviation implies that most of the participants' responses were concentrated around the mean and, therefore, had similar beliefs regarding the intervention under consideration. Furthermore, the intervention showed a p-value < 0.05, and the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of encouraging the public to have personal contact with bank agents to obtain information about the banking system has a significant effect in deepening financial inclusion in Uganda. Therefore, the study failed to accept H_{04}.

H_{05}: The study results for this hypothesis revealed that the mean = 2.64, standard deviation = 1.35, p-value = 0.23, and the 95% confidence interval for the population mean is 2.64 ± 0.39. The responses were highly dispersed from the mean, implying that the respondents had divergent views on the effectiveness of the intervention. Furthermore, the intervention showed a p-value > 0.05; however, the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of using the electronic delivery of services to enhance service delivery to people with low incomes in rural areas has an insignificant effect in deepening financial inclusion in Uganda. Therefore, the study failed to reject H_{05}.

H_{06}: The study results for this hypothesis revealed that the mean = 4.52, standard deviation = 0.86, p-value = 0.00, and the 95% confidence interval for the population mean is 4.52 ± 0.48. The standard deviation was low, which implied a close agreement of the responses from the participants, with most of them concentrated around the mean. Furthermore, the intervention showed a p-value < 0.05, and the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of encouraging the financial sector to apply more capital and technology to reach the unbanked and underbanked has a significant effect in deepening financial inclusion in Uganda. Therefore, the study failed to accept H_{06}.

H_{07}: The study results for this hypothesis revealed that the mean = 4.10, standard deviation = 1.24, p-value = 0.00, and the 95% confidence interval for the population mean is 4.10 ± 0.35. The standard deviation was high, which implied a low agreement of the responses from the participants, with several of them dispersed from the mean. Furthermore, the intervention showed a p-value < 0.05, and the mean was within the 95% confidence interval for the population mean. Therefore, this finding signified that the agency banking intervention of dispelling the myth that banks only exist for the rich significantly deepened financial inclusion in Uganda. Thus, the study failed to accept H_{07}.

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IMPLICATIONS TO RESEARCH AND PRACTICE.

The study found that six out of seven agency banking interventions had a statistically significant effect in deepening financial inclusion in Uganda. The agency banking intervention of using the electronic delivery of services to enhance service delivery to people with low incomes in rural areas did not significantly deepen financial inclusion in Uganda. The study result contradicts the study by Banerjee et al. (2017) on agency banking and financial inclusion in Bangladesh. However, as Yawe (2018) argued, the outcome could be due to inadequate bank agents. Furthermore, the study outcome supports what would be expected in practice because the mobile telephone density in Uganda is less than 49%, such that most of the rural areas of Uganda lack telephones (Uganda Communications Commission Report, 2021). The problem is compounded by poor connectivity and the lack of electricity. On top of that, most people in rural areas lack financial literacy and digital skills and are, therefore, unable to appreciate the electronic delivery of services. Thus, electronic delivery of services would not be feasible in such areas. The above situation implies that financial inclusion in Uganda will remain low if a large percentage of the population remains financially excluded. For instance, the Alliance for Financial Inclusion Report (2019) found that the financial inclusion in Uganda was only 58%, the FINCA International Annual Report (2020) indicated 59%, and The National Financial Inclusion Strategy (2023-2028) put the figure at 66%. The agency banking interventions of i) Providing information and ensuring that the excluded are informed about bank products and services ii) Improving access to formal financial services for poor individuals by introducing delegated credit products to the existing savings groups with complimentary savings accounts. iii) Providing loans to savings groups, which later benefit individuals within the groups. iv) Encouraging the public to have personal contact with bank agents to obtain information about the banking system. v) Dispelling the myth that banks only exist for the rich had statistically significant effects in deepening financial inclusion in Uganda. The above outcomes are supported by previous studies such as the World Bank Report (2018a) and Froeling and Garcia (2018), who concurred that such interventions help scale up financial inclusion.

CONCLUSIONS

The research findings revealed several outcomes concerning the effectiveness of the agency banking interventions in deepening financial inclusion in Uganda. The significant effect of the agency banking intervention of providing information and ensuring that the excluded are informed about bank products and services provides evidence that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{01} is rejected, and it is concluded that the agency banking intervention of providing information and ensuring that

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the excluded are informed about bank products and services effectively deepens financial inclusion in Uganda.

The significant effect of the agency banking intervention of improving access to formal financial services for low-income individuals through the introduction of delegated credit products to the existing savings groups with complimentary savings accounts provides evidence that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{02} is rejected, and it is concluded that the agency banking intervention of improving access to formal financial services for poor individuals through the introduction of delegated credit products to the existing savings groups with complimentary savings accounts is effective in deepening financial inclusion in Uganda.

The significant effect of the agency banking intervention of providing loans to savings groups, which later benefit individuals within the groups, provides evidence that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{03} is rejected, and it is concluded that the agency banking intervention of providing loans to savings groups, which later benefit individuals within the groups, effectively deepens financial inclusion in Uganda.

The significant effect of the agency banking intervention of encouraging the public to have personal contact with bank agents to obtain information about the banking system provides evidence that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{04} is rejected, and it is concluded that the agency banking intervention of encouraging the public to have personal contact with bank agents to obtain information about the banking system effectively deepens financial inclusion in Uganda.

The non-significant effect of the agency banking intervention of using the electronic delivery of services to enhance service delivery to people with low incomes in rural areas provides evidence that the intervention is ineffective in deepening financial inclusion in Uganda. This study's findings matched the results of the Tiony (2023) study on the impact of digital finance on financial inclusion in Kenya. However, the evidence is contrary to the outcome of the Banerjee et al. (2017) study on agency banking effectiveness on financial inclusion in Bangladesh. Therefore, the study failed to reject the null hypothesis H_{05}, and it is concluded that the agency banking intervention of using the electronic delivery of services to enhance service delivery to people with low incomes in rural areas is ineffective in deepening financial inclusion in Uganda.

The significant effect of the agency banking intervention of encouraging the financial sector to apply more capital and technology to reach the unbanked and underbanked provides evidence

that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{06} is rejected, and it is concluded that the agency banking intervention of encouraging the financial sector to apply more capital and technology to reach the unbanked and underbanked is effective in deepening financial inclusion in Uganda.

The significant effect of the agency banking intervention of dispelling the myth that banks only exist for the rich provides evidence that the intervention is effective in deepening financial inclusion in Uganda. Therefore, the null hypothesis H_{07} is rejected, and it is concluded that the agency banking intervention of dispelling the myth that banks only exist for the rich effectively deepens financial inclusion in Uganda.

RECOMMENDATIONS

The current financial inclusion in Uganda is 66% (The National Financial Inclusion Strategy, 2023-2028).). This figure is still low compared to the neighbouring countries, such as Kenya at 84%, Tanzania at 76%, and the developed economies at 94%; therefore, the following recommendations for deepening the inclusion in Uganda are put forward. The mother banks should ensure that the visibility of the agency banking outlets is enhanced. Today, several outlets operate within shops that deal with consumer goods. This lack of visibility inhibits the people's capacity to recognise the presence of agency banks and take advantage of them. The mother banks should brand the agency banking outlett5gs with their colours to improve their visibility. The Bank of Uganda, as the statutory regulator and supervisor of the banking sector in Uganda, should sensitise the people about agency banking, digital skills, and financial literacy. The sensitisation will enable more people to embrace agency banking services, increasing financial inclusion. The political leaders in Uganda should cut the cost governance and redirect the resources into critical areas, such as infrastructural development in rural electrification and connectivity improvement to enable enhanced delivery of electronic service systems in rural areas.

The challenge of unstable networks is mainly experienced due to connectivity problems, which erode the clients' confidence in agency banking. The unstable networks impact the delivery of agency banking services, and with such an experience, agency banking may not adequately deepen financial inclusion in Uganda. Therefore, the banks in Uganda should work closely with telecommunications companies to create more reliable and stable networks that would guarantee improved delivery of agency banking services. Furthermore, telecommunication companies should carry out more aggressive marketing campaigns and interest more people to acquire telephones to improve the telephone density in the country. As identified by the study, the liquidity problem is another challenge agency banking faces in deepening financial inclusion in Uganda. This challenge could be overcome by ensuring that mother banks only select people with adequate financial resources to be considered as bank agents. On the challenge of bank agents experiencing cash shortages during peak hours, it is recommended

that the mother banks provide comprehensive training in business planning and management to prospective bank agents before they are formally appointed. The mother banks should also monitor the activities of the bank agents regularly. For the challenge of fraud issues committed by the bank agents that tend to hamper the progress of agency banking, the mother banks and the central bank should exercise more due diligence when appointing bank agents. Thorough background checks should be done on prospective bank agents to ensure a clean criminal record, and the INTERPOL National Central Bureau would be very handy here. The delayed or inadequate communication in the case of failed transactions challenge could be overcome by ensuring that every mother bank assigns a desk officer to handle the communication on such matters expeditiously. The minimum role played by agency banking outlets is due to the Financial Institutions Agent Banking Regulations (2017), which limit bank agents' activities. It is recommended that the Bank of Uganda should relax some of the restrictions imposed on the activities of agency banking. If adopted, this recommendation may lead to more people embracing the agency banks and improving financial inclusion in Uganda. Finally, the mother banks for agency banking outlets should adopt a proactive approach to the performance improvement of the agency banks to ensure their steady growth. This will involve the financial institutions in capacity building of bank agents to become bank service platforms for all the financially excluded.

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