ASSESSMENT OF RISK MANAGEMENT CONTROLS PRACTICES ON SUSTAINABILITY OF AGENCY BANKING IN COMMERCIAL BANKS IN NAKURU TOWN

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ABSTRACT

Despite the opportunities brought about by agency banking for both the customers and commercial banks, by December 2016, 16 commercial banks and 3 microfinance banks had contracted 95,789 customers and 58 agents across the country with a concentration of 90% of the agents in 3 banks; Equity Bank with 13,767 agents, Kenya Commercial Bank with 9,687 and Cooperative Bank with 8,765 (CBK, 2016). Many of the banks that have embarked on agency banking roll-out have found that agents lack the capacity to handle large transactions of cash and that they are not spending enough on security measures leading to poor performance of agency banking. The purpose of the study was to determine the influence of risk management controls practices on sustainability of agency banking in commercial banks in Nakuru town. The study sought to determine the influence of liquidity management and auditing on sustainability of agency banking in commercial banks in Nakuru town. The study was guided by agency theory and lending Credibility Theory. The study adopted descriptive research design. The study's target population was 46 employees working in the agency department from 6 banks in Nakuru town which operate agency banking. The study also targeted 94 agents in Equity Bank, 39 agents in Co-operative Bank, 23 agents in family Bank, 14 agents in Post Bank, 23 Agents in National Bank and 44 Agents in Kenya Commercial Bank. Each agent outlet produced one respondent who was either the owner or the manager. Since the population of employee working in the agency department was small the researcher used census technique to incorporate all the targeted employees. Nassiuma's formula was used to calculate the sample size of the agents to get a sampled of 75 agents. Questionnaire was used to collect the primary data desirable for the study. Both descriptive and inferential statistics was used in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Multiple regression analysis was used to establish the relationship between the dependent and the independent variables. The findings revealed that exists a strong, positive and significant relationship (r=0.597, P=0.018) between liquidity management and sustainability of agency banking. The study also indicated that there exist a strong, positive and significant relationship (r=0.604, P=0.032) between auditing and sustainability of agency banking. The researcher recommended that banks should ensure that the gadgets used to do transactions in agent banking are always supplied with network coverage to ensure all-time accessibility/use. This will enhance the performance of agent banking businesses.

1.0 INTRODUCTION

Agency banking is a subset of the broader domain of electronic banking. It entails a contractual agreement between the commercial banks and selected agents to offer specified financial services within the banking spectrum. Agents are remunerated on commission basis according to the transactions conducted. Agent banks are eligible to carry out transactions such as cash withdrawal; cash deposits; payment of bills; enquiry of bank balance; cardless deposits (via sim-banking); disbursement and repayment of loans; issuing of mini bank statements; salary payment; and forced pin change (CBK, 2014).

In 2001, agent banking was introduced in Brazil. In a short span of 9 years, this alternative delivery channel has radically transformed access to financial services in the Latin American country. Today there are over 95,000 agents including supermarkets, lottery kiosks, pharmacies and post offices allowed to provide services such as account opening, deposits, withdrawals and bill payments on behalf of commercial banks. Over 13 million new savings accounts have been opened. Agency banking has been in existence for less than two decades with Brazil being the first country to adopt it in its municipalities in 2000 (National Banking and securities, 2012). In the   earlier years, agency banking was acceptable only for commercial services but this stance has changed over the years to allow other non-banking financial institutions to open up agents to effectively serve citizens in Brazil (Mckay, 2011).

In South Africa three banks have the largest number of agent networks: Citibank has the largest with 4,275 agents, Red Mulitbanca Colpatria S.A. has 3,963 agents and AV Villas has 3,064. The other ten banks that use agents all have fewer than 1,000 agents each. Agency banking took effect in Rwanda in May 2012 after the publication of prudential guidelines by the National Bank of Rwanda. Agency.The use of the agent banking model by banks in Kenya has continued to improve access to banking services and has also increased financial deepening in the country since it was launched in 2010.Since the inception of agent banking, the financial sector has recorded a tremendous growth with most Kenyans accessing finances at their convenience. This has reduced the cost of transaction and the time especially for the Kenyans in remote areas. According to the Central Bank of Kenya report dubbed Development in the Kenyan Banking Sector for the Quarter ended 30th June, CBK had authorized 13 commercial banks to offer banking services through third parties (agents). Since 2010, a total of 19,649 agents had been contracted facilitating over 58.6 million transactions valued at Ksh. 310.5 billion. This was an increase from 11 banks that had contracted 18,082 active agents facilitating over 48.4 million transactions valued at Ksh. 250.1 billion in March 2013.

Risk management is considered more important in the financial sector than in other business areas because the financial industry is facing a large number of risks in a volatile environment (Carey, 2013) Risk management therefore involves identifying, measuring, monitoring and controlling risks. The process is to ensure that the individual clearly understands risk management and fulfils the business strategy and objectives and thus boost the performance of the organization.

Risk control has an objective to reduce risk to an acceptable level and/or prioritize resources based on comparative analysis. Risk control includes risk aversion, risk homeostasis, discounting procedures, decision analysis, trade off analysis, insurance models, and repair and maintainability issues which should be effectively implemented for purpose of risk; management (Pearce & Robinson 2012). Risk control is performed within an economic framework with an objective of optimizing the allocation of available resources in support of

a broader goal. Therefore it requires the definition of acceptable risk, and comparative evaluation of options and/or alternatives for decision making.

Risk control involves incremental development, such as pre planned product improvement, to dissociate the design from high-risk components that can be developed separately; technology maturation allows high-risk components to be developed separately while the basic development uses a less risky and lower performance temporary substitute. Test, analyse and fix that allows understanding to lead to lower risk design changes. Test can be replaced by demonstration, inspection early prototyping, reviews, metric tracking, experimentation, models and mock-ups, simulation, or any other input or set of inputs that gives a better understanding of the risk, robust design that produces a design with substantial margin such that risk is reduced, and the open system approach that emphasizes use of generally accepted interface standards that provide proven solutions to component design problem. (Covello,& Frederick 2016).

1.2 Statement of the Problem
Despite the opportunities brought about by agency banking for both the customers and commercial banks, by December 2016, 16 commercial banks and 3 microfinance banks had contracted 95,789 customers and 58 agents across the country with a concentration of 90% of the agents in 3 banks; Equity Bank with 13,767 agents, Kenya Commercial Bank with 9,687 and Cooperative Bank with 8,765 (CBK, 2016). In spite of the success of agency banking globally and good performance of Commercial banks in Kenya, there are a number of challenges facing the agency banking. Many of the banks that have embarked on agency banking roll-out have found that agents lack the capacity to handle large transactions of cash and that they are not spending enough on security measures leading to poor performance of agency banking.

According Irura and Munjiru (2013) conducted a study on the challenges of implementing agency banking in Kakamega County, Kenya. The study found out that implementation could be explained by fraud, literacy level, technological issues and liquidity problems. The findings did not clearly establish whether liquidity, fraud, technological issues and literacy were the only hindrances to the sustainability of agency banking in Kenya. Agalla (2014) sought to establish challenges facing implementation of agency banking at Kenya Commercial Bank, with an objective of establishing whether risks associated with agency banking, policies and procedures governing agency banking, technological operations and awareness were hindrances to the implementation of agency banking. The study found out that resource allocation, ineffective technology and lack of staff training on relevant technology were the key challenges. However the study did not address the risk management control practices used by agency banks. Kithinji (2015) conducted a study on credit risk management and profitability of commercial banks in Kenya. He found out that there is no significant relationship between credit risk management and profitability of commercial banks. However the study did not address risk management in agent banking. A review of existing literature shows that even though agency banking has received considerable attention, there is no study on risk management controls among agency banking. Therefore, there is a need to conduct an in depth study to highlight the risk management controls on sustainability of agency banking.

1.3 OBJECTIVES OF THE STUDY
This study had both general and specific objectives

1.3.1 General Objective
The general objective of the study was to determine the influence of risk management controls practices on sustainability of agency banking in commercial banks in Nakuru town.

1.3.2 Specific Objectives
To assess the influence of liquidity management on sustainability of agency banking in commercial banks in Nakuru town.
To find the influence of auditing on sustainability of agency banking in commercial banks in Nakuru town.

1.4 Research Hypothesis
H01: Liquidity management has no significant influence on sustainability of agency banking in commercial banks in Nakuru town.
H02: Auditing has no significant influence on sustainability of agency banking in commercial banks in Nakuru town.

2.0 LITERATURE REVIEW

2.1 THEORETICAL REVIEW
The study was based on agency and lending credibility theories

2.1.1 Lending Credibility Theory
According to Volosin, (2007) the business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks or insurance companies. Their decision is usually based on the financial reporting and the performance of the company's management, who have a responsibility to act in the interests of investors.

The auditor is appointed by the company's shareholders and reports his results to his clients. The aim of the auditor's report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favorable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996). The theory is relevant to the study as it explains the need of commercial bank auditing agent's outlets to ensure accountability and the overall sustainability

2.1.2 Agency Theory
Agency theory emanates from the work of Jensen and Meckling (1976). The theory describes organization as essential composition to keep contracts, and through organizations, it is thinkable to exercise control which downplays shrewd behavior of operators. The theory is appropriate to this study in light of the fact that internal control is one of numerous risk management control practices utilized as a part of business to address challenges facing agency banking (Payne, 2003). Internal management control upgrades the arrangement fundamental data to the important depart, which by and large is the shareholder, on the specialist's (administration) conduct, brings down financial specialist hazard and low income and decreases data asymmetry.In an effort to secure the agency system banks have set various

internal control measures such as setting minimum and maximum amount of withdrawal and deposits. Customers are also required to produce identification card to identify them.
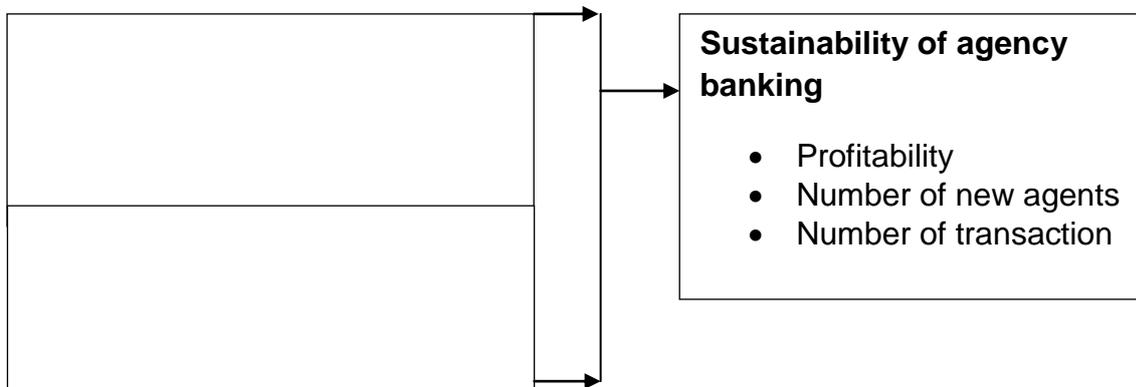
2.2 Conceptual Framework

Sustainability of agency banking

- Profitability
- Number of new agents
- Number of transaction

Figure 1: Conceptual Framework

2.3 Empirical Literature
2.3.1 Liquidity Management on sustainability of agency banking
Managing liquidity is critical to the success of any electronic banking initiative because in most emerging markets payment systems are still evolving and most transactions are still in cash, "cash is king". Customers usually use m-banking to transfer value which needs to be cashed by the recipient, and use m-banking agents to manage "cash in" and "cash out" transactions. Typically m-banking works through the use of float accounts, each agent is required to maintain a balance of electronic money in their agent account. When a customer wishes to send money to a relative, she exchanges cash for e-money through paying cash to an agent -the agent's e-money balance reduces by the amount of the transaction, and the customer's e-money value increases Cracknell (2010).

The customer then transfers their e-money to their intended recipient. Correspondingly, when a customer makes a withdrawal, the agent receives e-money and pays out cash, and the agent's e-money balance increases by the amount of the transaction. The agent can continue to make transactions until their e-money balance is exhausted. At this moment the agent has effectively exchanged all their e-money for physical cash, and the agent then needs to replenish their e-money account by paying in cash to their e-money account before any further cash deposits can be made by customers. Ensuring agents have either e-money or cash when customers require it, is the essential challenge of m-banking liquidity management. A situation where agents run out of cash, may be particularly common in rural areas where small agents do not have the physical cash for customers to make significant withdrawals Cracknell (2010).

Liquidity is one of the biggest challenges in rolling out banking agencies in the establishment and the effectiveness of the agent network. Agents are the touch- points where the subscribers of the service can get money into and out of the system. In instances where a subscriber arrives at an agent with the need to withdraw a large amount it does happen that the agent do not have enough cash to satisfy the cash-out request. This leads to frustration and is one of the reasons why take-up of these systems are slower than what is expected. This problem is referred to as the agent liquidity problem- how to ensure that the agent has sufficient cash available to satisfy the need of the system. (Kirika, 2013).

When agents provide a range of services (e.g., account opening, deposits, withdrawals, bill payments, etc.) they are able to generate transaction volume and balance liquidity. An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests. If too much cash is taken in, the agent may run out of e-float and not be able to accept more deposits. If there are too many withdrawals, the agent will accumulate e-float but run out of cash. In either case, customers will get discouraged if the agent cannot provide the services they need when they need them. In addition, a secure mechanism needs to be in place to transport cash needs to and from an agent (Mas&Siedek, 2008).

2.3.2 Audit on sustainability of agency banking

Internal audit is an objective and independent appraisal service within an organization on risk management, control and governance by measuring and evaluating their effectiveness in achieving the organization's agreed objectives. In addition, internal audit's findings are beneficial to the Board of Directors and line management in the audited areas. The service applies the professional skills of internal audit through systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organization's objectives, and through recommendations for improvement (Dumitrescu, 2014).

Internal audit has several aims and principles which it is necessary to adhere to. It is the board of directors of the bank, however which bears final responsibility that the bank's management applies an appropriate and effective system of internal audit, a system of evaluating banking activity risk and risks concerning bank capital, appropriate methods of monitoring compliance with laws, measures and internal procedures. Likewise, the bank's management is responsible for drawing up procedures which identify measure, monitor and control the risks that the bank faces (Norman, Rose & Rose.2010).

Mutua (2012) researched on impact of risk based audit on financial performance of commercial banks in Kenya. Although her study concentrated on risk based audit She acknowledged that financial performance requires appropriate effective and efficient internal audit. From the findings, the study concluded that risk based auditing through internal auditing standards and internal auditing staffing should be enhanced to enable firms to be able to detect risks on time and concentrate on high risk areas leading to increased transparency and accountability, hence enhancing financial performance. This showed that there is indeed a relationship between internal audit and financial performance.

Ndege (2012) researched on Performance and financial ratios of commercial banks in Kenya. The objective of his study was to identify factors, in a ratio form that shape bank performance as measured through return on assets (ROA) and return on equity (ROE).In his study he concluded that ROA and ROE can be used to measure financial performance f banks in Kenya. Internal audit operations and recommendations do not only have short-term effect on the running of an organization but is the backbone of an organization and it dictates the prosperity or the down fall of the particular organization. Its effectiveness and acceptability should be stressed at all levels and especially the management to enhance its viability. However it seems that laxity has crept in and it is in light of this view that we seek to analyse the factors affecting implementation of internal audit reports in Kenyan banks.

2.4 Summary of Reviewed Literature
Empirical studies noted above indicate that there are various factors that affect the sustainability of agency banking and notably in commercial banking where it has improved financial accessibility and inclusion especially for the lower income group who could previously not access formal banking services. Studies have also indicated an increase of financial transactions occasioned by agency banking; however previous studies have only looked at individual parameters independently and therefore failed to bring out the real influence of risk management on the sustainability of agency banking in commercial banks. Agency banking model was embraced in Kenya in 2010 has led to further expansion of the distribution of banking services leading to the establishment of village banks.

2.5 Research Gaps
Various research studies have been conducted internationally and locally on agency banking and how they influence performance in banks. Waithanji (2012) did a study to identify the impact of agent banking as a financial deepening initiative in Kenya and Kithuka (2012) conducted a study on factors influencing growth of agency banking in Kenya: the case of Equity bank, Kwale County. However, their study did not focus on the risk management controls variables: technology, internal control systems, liquidity management and auditing. Further, Musau (2013) did an analysis of the utilization of agency banking on performance of selected banks in Nairobi County. His study variables included policies and procedures, agency costs, agency liquidity and security. However, none of these studies focused on the influence of risk management on the sustainability of agency banking in commercial banks. This study therefore seeks to fill the gap by establishing the effect of the influence of technology, internal control systems, liquidity management and auditing onsustainability of agency banking in commercial banks in Nakuru town.

3.0 RESEARCH METHODOLOGY
The study adopted descriptive research design. Descriptive design is effective for this study as it is used to solicit the desired information through the adoption of questionnaire. According to Mugenda and Mugenda (2003), descriptive design is a process of collecting data in order to answer the questions of the current status of the subject under study.

3.1 Target Population
The study's target populations were 46 employees working in the agency department from 6 banks in Nakuru town which operate agency banking. The study also targeted 94 agents in Equity Bank, 39 agents in Co-operative Bank, 23 agents in family Bank, 14 agents in Post Bank, 23 Agents in National Bank and 44 Agents in Kenya Commercial Bank. Each agent outlet produced one respondent who was either the owner or the manager.

3.2 Sampling Design and Procedure
Since the population of employee working in the agency department was small the researcher used census technique to incorporate all the targeted employees. According to Mugenda (2001) census is sampling technique whereby every member or item of the population is surveyed. Nassiuma's (2000) formula was used to calculate the sample size of the agents to get a sampled of 75 agents.
 Where
n = Represents sample size,
N = Represents study population
C = Represents coefficient of variation ($21\% \leq C \leq 30\%$), and
e = Represents error margin ($2\% \leq e \leq 5\%$).
   Calculating the sample size,

n $\quad=\quad$ $\dfrac{237\,(0.21)^2}{0.212+(237-1)0.022}$

n $\quad=\quad$ 75.46 $=$ 75

Stratified random sampling was adopted to get the sample size of agents from each of the bank. The formula was appropriate because there would be equal probability of selecting each unit from the population being studied.

3.3 Data Collection Instruments and Procedure

Questionnaire was used to collect the primary data desirable for the study. The questionnaire contained structured questions which are the questions that the researcher has given the respondents the choices of the answers that the respondents can answer. There are several advantages associated with the use of the questionnaire and which informs its usage in this study. These advantages include ease of distribution and data collection, ease of data analysis, standardization of the questions and cost efficiency. A pilot-test was conducted in Nyahururu Town where 4 questionnaires were distributed to department heads of agency department of Equity Bank, Kenya Commercial Bank and Cooperative Bank. The questionnaires were also distributed to 8 agents outlets owners and managers. Data collected from the pilot study was not incorporated in the main study.Data collection process began by getting a formal letter from the university authorizing the field study. The letter together with the consent statement was then presented to the respective banks as a means of seeking authority to collect data from the institution. The researcher also sought a permit from the National Commission for Science, Technology and Innovation (NACOSTI). Data was collected using drop and pick later method which was collected after two weeks. In this method, the consent statement was issued and then the questionnaire administered

3.3 Data Analysis and Presentation

Quantitative data was analysed by use of content analysis. Data was analysed by use of Statistical Package for Social Sciences (SPSS) version 24. Both descriptive and inferential statistics was used in the study. Descriptive statistics involved the use of percentages, frequencies, measures of central tendencies (mean) and measures of dispersion (standard deviation). Multiple regression analysis was used to establish the relationship between the dependent and the independent variables. Since the study was based on two sets of questionnaires the researcher combined the two sets of questionnaires during data analysis

4.0 FINDINGS AND DISCUSSIONS

4.1 Response Rate

The study issued 46 questionnaires to employees working in the agency department from 6 banks in Nakuru town which operate agency banking. Out of which 35 successfully responded representing 76%. The study also issued 75 questionnaires to owners/managers operating agent outlets. Out of which 60 responses were represented this represented a 80% response rate. Therefore the total response was 95 representing 79%.

4.2 Demographic Information

The researcher sought to find out the distribution of the respondents according to their highest education qualification.

4.2.1 Highest education qualification

Table 1: Distribution of Respondents by Academic Qualification

Education Qualification	Frequency	Percentage
Post-Graduate	2	2
Under-Graduate	41	43
Certificate education	24	25
Others	28	30
Total	95	100

From the 2% of agents stated they had attained post-graduate education, 43% of agents stated they had attained under-graduate education, 25% of agents stated they had certificate education while 30% of the respondents stated they had other forms of education. This implies that majority of respondents had achieved under-graduate education.

4.3 Descriptive Findings and Discussions

4.3.1 Influence of liquidity management on sustainability of agency banking

Table 2:Liquidity management on sustainability of agency banking

Liquidity Management	N	Min	Max	Mean	S.D
Agents are required to have a certain set amount of cash before they are permitted to make transaction	95	1	5	4.403	0.778
Banks have good structures to a ensures that agents operate above the minimum required balance	95	1	5	4.307	0.738
The process of replenishing e-money account is efficient	95	1	5	4.145	0.807
Banks facilitate larger transactions	95	1	5	4.387	0.869
Banks regulate cash at hand that agents can have at any single moment	95	1	5	4.48	.731
Banks organizes for the maximum amount of withdrawal and deposit for very busy outlets	95	1	5	4.44	.729
Banks organizes for the maximum amount of withdrawal and deposit for very busy outlets	95	1	5	4.11	.977
Agents are required to have an account linked to their agent number	95	1	5	3.99	1.249
Banks have designated master agents who are authorized to distribute cash to other agents	95	1	5	4.11	1.030

The researcher further sought to establish the influence of liquidity management on sustainability of agency banking in commercial banks. The first statement sought to establish whether agents are required to have a certain set amount of cash before they are permitted to make transaction. Ensuring agents have either e-money or cash when customers require it, is the essential challenge of m-banking liquidity management The findings in Table 4.6 revealed that majority of the participants were strongly in agreement with a mean of 4.403 and standard deviation of 0.778. On whether banks have good structures to a ensures that agents operate above the minimum required balance, majority of the respondents strongly

agreed with a mean score of 4.307 and standard deviation of 0.738. Furthermore, the study sought to establish whether the process of replenishing e-money account is efficient. The findings revealed that majority of the respondents were in agreement with a mean of 4.145 and standard deviation of 0.807. In addition, the study sought to find out whether banks facilitate larger transactions. Majority of the participants were in agreement in their responses with a mean of 4.387 and standard deviation of 0.869.

On whether banks regulate cash at hand that agents can have at any single moment, majority of the respondents strongly agreed with a mean score of 4.48 and standard deviation of 0.731. Furthermore, the study sought to establish whether banks organize for the maximum amount of withdrawal and deposit for very busy outlets. The findings revealed that majority of the respondents were in agreement with a mean of 4.44 and standard deviation of 0.729. In addition, the study sought to find out whether banks organize for the maximum amount of withdrawal and deposit for very busy outlets. Majority of the participants were in agreement in their responses with a mean of 4.11 and standard deviation of 0.977. An agent must maintain adequate cash and e-money float balances to meet customer cash-in/cash-out requests.

Furthermore, the study sought to establish whether agents are required to have an account linked to their agent number. The findings revealed that majority of the respondents were in agreement with a mean of 3.99 and standard deviation of 1.249. In addition, the study sought to find out whether banks have designated master agents who are authorized to distribute cash to other agents. Majority of the participants were in agreement in their responses with a mean of 4.11 and standard deviation of 1.030. The findings agree with Cracknell, (2010) who argued that managing liquidity is critical to the success of any electronic banking initiative such as agency banking because in most emerging markets payment systems are still evolving and most transactions are still in cash.

4.3.2 Influence of auditing on sustainability of agency banking in commercial banks

Table 3: Descriptive Statistics for auditing on sustainability of agency banking in commercial banks

Statements on auditing	N	Min	Max	Mean	Std. Deviation
Agents are required to make regular reporting of the monthly transaction.	95	1	5	4.351	.767
Agents have a toll free number for calling the bank for technical support	95	1	5	4.345	.692
Bank's officer makes random spot check on agent outlet to ensure all the controls are followed	95	1	5	4.273	.689
Banks conduct an audit on the security capacity of agent banking transactions	95	1	5	4.604	.670
Banks engages an external auditor to ensure the integrity of the system	95	1	5	3.873	1.037
Banks have an effective channel to manage customer complaints	95	1	5	4.333	.712

The findings revealed that majority of the respondents admitted (mean ≈ 4.00; stddev< 1.000) that pay for performance motivates employees to work harder and achieve more thus enhancing retention. It was further agreed (mean ≈ 4.00; stddev< 1.000) that the institution

conducts performance appraisal to determine the reward of BOM teachers. In addition, the respondents agreed (mean ≈ 4.00; stddev> 1.000) that some teachers feel that the criteria for performance appraisal is biased which negatively affect teacher's retention. It was also agreed (mean ≈ 4.00; stddev> 1.000) that in most cases pay for performance have a negative impact on employee motivation. It was further agreed (mean ≈ 4.00; stddev< 1.000) that pay for performance is based on the economic status of the country. In addition, respondents agreed (mean ≈ 4.00; stddev> 1.000) that lack of transparency in pay for performance system negatively affect employee retention. It was further agreed (mean ≈ 4.00; stddev< 1.000) that pay for performance have a negative effect on teamwork. The standard deviation ranged between 1.30609 to 0.65440 indicating that the dispersion of the respondents from the mean was moderate.

This implies that the variance of the highest respondents and the lowest respondents was moderate. The study agrees with a study by Bevilacqua & Singh (2014) who argues that pay for performance plans offer significant opportunities for improved employee performance, incentives have become a larger portion of total executive pay and have become part of the compensation design for a wider range of employee levels and categories.

4.4 Correlation Analysis

The researcher undertook a Pearson correlation analysis to establish the underlying relationships between the independent variables and the dependent variable.

Table 4: Correlation between liquidity management and sustainability of agency banking

		Liquidity Management
Sustainability of agency banking	Pearson Correlation	.597*
	Sig. (2-tailed)	.018
	N	95

*. Correlation is significant at the 0.05 level (2-tailed).

The study further sought to establish the nature of the relationship between liquidity management on sustainability of agency banking as shown in Table 4.17. The correlation coefficient (r=0.597, P=0.018) indicates that there exists a strong, positive and significant relationship between liquidity management and sustainability of agency banking. Therefore, based on rule of significance, the study rejects the null hypothesis (H03) and concluded that liquidity management has a significant influence on sustainability of agency banking in commercial banks.

Table 5: Correlation between auditing and sustainability of agency banking

		Auditing
sustainability of agency banking	Pearson Correlation	.604*
	Sig. (2-tailed)	.032
	N	95

*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis results shown in Table 4.12 indicate that there exist a strong, positive and significant relationship (r=0.604, P=0.032) between appraisal and sustainability. Therefore, the study rejects the null hypothesis (H$_{04}$) and concludes that auditing significantly influences the sustainability of agency banking in commercial banks in Nakuru town.

4.5 Regression Analysis

Table 6: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.038	.145		.260	.796
	Liquidity management	.245	.104	.179	2.356	.022
	Auditing	.432	.106	.382	4.075	.000

$Y = 0.038 + 0.245X_1 + 0.432X_2$

The value of sustainability of agency banking without the influence of the predictor variables is 0.038. This explains that, at any given time, sustainability of agency banking will be 0.038 holding other factors constant at 0. The results also illustrate that,a unit increase in liquidity management would result to 0.245 times increase in sustainability of agency banking while a unit increase in auditing would result to 0.432 times increase in sustainability of agency banking as given by the coefficients in the model.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSIONS
From the findings the study concluded that banks facilitate larger transactions. Banks regulate cash at hand that agents can have at any single moment. Banks organizes for the maximum amount of withdrawal and deposit for very busy outlets. Banks organizes for the maximum amount of withdrawal and deposit for very busy outlets. Agents are required to have an account linked to their agent number.

It was also noted that bank's officer makes random spot check on agent outlet to ensure all the controls are followed. Banks conduct an audit on the security capacity of agent banking transactions. Banks engages an external auditor to ensure the integrity of the system. Banks have an effective channel to manage customer complaints

5.2 RECOMMENDATIONS
The researcher recommended that. Managers/owners of agent banking business should ensure they increase the number of employees they have (in respect to the business available) so as to increase the number of transactions made in a day hence enhance profits.Managers of agent banking businesses should be equipped with skills/capability to borrow funds, manage core business, manage business finances as well as manage the business. As such, owners of an agent banking business should ensure they bring on board managers who have high capability to manage business finances. The owners/managers should also ensure agent banking business is managed with focus on the core business. Banks should encourage their customers to embrace agent banking particularly for deposits, account opening and balance inquiries. This can be achieved by both banks and agents promoting the banking services one can access at an agent banking shop so as to create awareness.

5.3 Suggestions for Further Research
This study has surveyed select agent banking businesses in Nakuru Town hence its findings may not be readily generalized to rural counties or other regions with varying demographic

characteristics. As such, this study can be replicated in other areas to eliminate region-specific biases in generalization.

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