

## Agency Banking And Job Creation By Nigerian Youths

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### ABSTRACT:

The research investigated agency banking and its effect on Nigerian youths related to entrepreneurship and job creation. This study used A survey design and descriptive and analytical research designs based on quantitative data targeting 20 participants per geopolitical zone of the country, making a total of 120 participants for the 6 geopolitical zones in Nigeria. Descriptive statistics and multivariate regression were adopted in this study for data analysis and the test of hypotheses. Findings confirmed that Nigerian youths are very familiar with agency banking and have a positive attitude towards it.

**KEYWORDS:** *agency, banking, Nigeria, job creation and youths*

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## INTRODUCTION

The term "agency banking" describes the provision of financial services outside of traditional bank branches, frequently through non-bank retail locations that depend on POS (Point-of-Sale) terminals or mobile phones for real-time transaction processing (Modupe, 2010). An organization hired by an institution and given the go-ahead by the Central Bank to perform services for the institution on behalf of the institution—typically a bank—is referred to as a bank "Agent." Agency banking is a business model used by banks that entails using the services of independent retail networks to deliver financial services to hard-to-reach places and people on behalf of licensed and reputable banking institutions. One of the retail channels used by different financial institutions to offer their banking services to many people is agency banking (Capegemini, 2013).

As part of the Central Bank of Nigeria's (CBN) strategy to advance financial inclusion and generate jobs, agency banking was launched in Nigeria in 2013. The Central Bank of Nigeria created the Shared Agent Network Expansion Facility (SANEF) to find, train, and help more people become agents. To encourage

companies to expand their agent networks in underserved cities nationwide, SANEF also offers some financial help to enterprises. The method eliminates the need for people to travel large distances to banks to conduct financial transactions (Akewushola, 2021).

Unemployment among Nigerian youths, particularly young school leavers, has grown increasingly concerning. Nigeria's high unemployment rate has prompted the government to develop new strategies to encourage young people to be self-employed, reducing the wait for a white-collar job. The shared agent network expansion facilities (SANEF) is one of these projects, which aims to expand financial inclusion while empowering and providing jobs for Nigerians. SANEF made agency banking platform access simple and the business less capital demanding, enabling more young people to participate. The Agency banking company operates in tandem with other small-scale companies such as salons, petty trade, and fashion design in such a manner that it complements an already existing business, allowing young entrepreneurs to spread risk and earn more money. Aside from the exciting endeavor, obstacles like poor internet access, insecurity, exorbitant service provider charges, and the danger of carrying lots of cash, among others, have become prevalent risks in the agency banking business, prompting some individuals to reconsider and examine other businesses that do not involve these risks.

However, the extent to which agency banking can engage youths and lower unemployment rates is still being determined. This study aims to assess agency banking practices in light of the identified concerns and determine their impact on Nigerian youths. Most studies have focused on the effect of agency banking on financial inclusion, poverty reduction, and bank profitability rather than the significant impact of agency banking. This study aims to determine the perceived attractiveness and feasibility of agency banking among Nigerian youths and how it motivates them to become entrepreneurs, hence lowering the country's unemployment rate.

## LITERATURE REVIEW

Agency banking refers to partnerships with non-banks, particularly retail and commercial establishments like kiosks, pharmacies, post offices, hair salons, supply stores, and others, to create a distribution network for financial services (Mwangi, 2015). It entails providing financial services outside conventional bank branches, typically through technology-dependent non-bank retail firms (EFINA, 2012). "The supply of banking services to clients by a third party (Agent) on behalf of a regulated deposit banking institution (FI) and Digital Payment Companies," according to the Central Bank of Nigeria (CBN), is what agency banking is defined as (CBN, 2017). An agency bank is a business that operates as an agent for the parent company but represents another bank and cannot accept deposits or make loans in its own right (Santu *et al.*, 2017).

The rise of agency banking has been spurred by the expansion of mobile financial services in Africa and Asia, which has resulted in the development of numerous point-of-sale (pos) locations across the nation (Mbiti & Weil, 2015). Due to government programs like SANEF and other financial incentives, banks and Fintech companies in Nigeria have established a network of agents. A small network of agents and POS operators has expanded to an incredible coverage of major cities nationwide in just a few short years. This has led to price reductions for devices and fees, allowing more potential agents to select them over competing offerings.

The requirements for becoming an agent have been lowered, the procedure has taken less time, and it is no longer necessary to have a corporation registered with the Corporate Affairs Commission. The low cost and straightforward requirements for getting started have increased the number of consumers, retailers, and small business owners signed up for agency banking. If interested agents complete the registration requirements, they are now provided free POS terminals that can cost up to N50,000.

Agency banking is thought to inspire young people in Nigeria to launch their enterprises. Consider business success measures like monthly revenue, customer count, and transaction volume. For young people in Nigeria, agency banking has grown to be quite appealing as a long-term endeavor that may be followed either full-time or as a side gig to augment the income of the underemployed.

## Theoretical Review

### Bank-Led Model

Cameron developed this theory in 1972 during the transformation of moneylenders into merchants' banks, which resulted in the birth of modern banking. This version consists of three major entities: the financial institution, the retail representative, and the consumer. According to Gichuki and Jagongo (2018), "the bank-led model offers a different perspective to the known practice of providing banking services by enabling consumers to execute financial transactions through individuals and traders who serve as agents rather than using the banking hall and professional staff of a bank. This model expands financial services' reach significantly by allowing the services to be delivered through other non-professional individuals, retailers, and traders, cost-effectively targeting segments that would have needed to be easier to reach with the traditional banking system. (Sudalaimuthu & Angamuthu, 2013).

A bank or fintech company distributes financial services through an agent in the most basic variant of the bank-led branchless banking model. In other words, Although the bank generates financial goods and services, they are distributed through agents who process consumer transactions. The bank-led theory was used in this study because it precisely represents the concept of agency banking being examine.

### **The entrepreneurial event model**

Shapero and Sokol (1982) created Shapero's Entrepreneurial Event model to describe the interaction of cultural and social elements that can cause a firm to be created by altering a person's beliefs. In this regard, the model sees entrepreneurship as a potential alternative or available choice that develops in response to an outside shift. The most prominent factors of entrepreneurship intention, according to EEM, are three components (PD, PF, and PA). According to Agu *et al.* (2021), the approach is particularly contextual, addresses a person's entrepreneurial desirableness, and is more suited to studies on entrepreneurship and innovation.

Perceived desirability (PD) refers to "the personal attraction to beginning a business, taking into account both intrapersonal and extra personal factors" (Shapero & Sokol, 1982). It describes how people regard doing business to be an appealing option, as evidenced by their desire to engage in that behavior to achieve specific goals (Krueger *et al.*, 2000). Desirability refers to specific entrepreneurship outputs or outcomes in terms of the costs and rewards to the entrepreneur (Agu *et al.*, 2021). Perceived Feasibility (PF) is "the probability of success of an entrepreneurial enterprise as determined by an individual. It is the degree to which a person believes he or she is personally competent in starting a business" (Krueger *et al.*, 2000). Perceived feasibility can be influenced by profitability and acceptance of the venture one intends to enter and the perceived availability of resources necessary to start a business. Propensity to act (PTA) is "the amount to which an individual has the disposition to act on his or her decision" (Agu *et al.*, 2021). It is the personal tendency to follow through on one's intentions and make them a reality, notwithstanding the setbacks he may face.

### **Critical Linkages**

In Benue State, Nigeria, Akighir *et al.* (2020) concluded that agency banking would boost the economy, create more jobs, and lessen poverty. Ezech *et al.* (2019) called for effective structural policies on sustainable finance and other areas to reduce young unrest and create income and jobs. Barasa and Mwirigi (2013) concluded that the agency banking model has helped low-income populations understand banking and put beneficiaries on a clear route to financial security. Okoye-Nebo *et al.* (2014) stated that an entrepreneurial nation is an engine for job creation, innovation, and diversity. Nigeria's entrepreneurs have a long way to go before effectively driving economic changes. It advises that government (policymakers) should genuinely recognize the essence of entrepreneurship to economic development by providing a supportive environment and safe environment for young people to be gainfully employed for economic development and all other social, political, and economic advancements. Nwachukwu *et al.* (2019) findings showed that although agent banking and mobile money are becoming increasingly popular, more financial inclusion is needed.

### **METHODOLOGY**

This study used survey design and descriptive and analytical research designs based on quantitative data. The main attributes of the study's participants were young Nigerians aged between 18 and 34 who live in the country's six geopolitical zones in Nigeria. This research population was deemed a fair representation of the population to provide credible insight into the study's topic. The researcher targeted 20 participants per geopolitical zone of the country, making 120 participants for the 6 geopolitical zones when responses from a geographical zone were not up to 20.

Purposive sampling was used to target participants. This was achieved through targeting groups on WhatsApp where Nigerians who possess the attributes of participants needed for this study (young Nigerians aged between 18 to 34 who live in the country's six geopolitical zones in Nigeria) are part of and distributing the online questionnaire to them. The questionnaire was distributed through Google Forms, enabling participants to complete it comfortably online via a link.

Descriptive statistics were used to examine the participants' socioeconomic characteristics. Multivariate regression analysis was used to examine hypotheses (i), (ii), and (iii). Multivariate regression was adopted in this study because of its objectives, which focused mainly on the effect of agency banking on more than one variable of the dependent variables relating to Nigerian youths. This includes Nigerian youths' perceived desirability, feasibility, and propensity to act.

## RESULTS AND DISCUSSIONS

### Responses to questions related to research variables

**Table 1: Agency Banking and Nigerian Youths**

Statements	SA	A	D	SD	UN
I have a positive attitude toward agency banking	71 60.7%	38 32.5%	6 5.1%	- -	2 1.7
The concept of a point-of-sale business appeals to me	57 48.7%	51 43.6%	4 3.4%	4 3.4%	1 0.9%
I will consider opportunities that will lead to job creation	73 62.4%	34 29.1%	6 5.1%	4 3.4%	- -
I will consider the capital requirement and profitability of opportunities	65 55.6%	44 37.6%	6 5.1%	2 1.7%	- -
I will make every attempt to develop and operate my own POS company.	56 47.9%	39 33.3%	13 11.1%	4 3.4%	- -
Being an Agency banking entrepreneur will offer me more benefits than difficulties.	50 42.7%	45 38.5%	13 11.1%	3 2.6%	6 5.1%
I enjoy being a profit-driven business owner.	71 60.7%	36 30.8%	5 4.3%	5 4.3%	- -
I would like to become an agent when I have the required resources.	54 46.2%	37 31.6%	13 11.1%	6 5.1%	7 6.0%
I am sure that the agency business will be profitable for me	56 47.9%	43 36.8%	10 8.5%	3 2.6%	5 4.3%
I believe I have all the information and training needed to become an agent	41 35.0%	44 37.6%	22 18.8%	4 3.4%	6 5.1%
I see a few things that could be improved in beginning my own POS firm.	49 41.9%	41 35.0%	21 17.9%	4 3.4%	2 1.7%
Every POS bank agent I have met confirmed it is a profitable business	55 47.0%	41 35.0%	14 12.0%	4 3.4%	3 2.6%
Risks relating to agency banking will not hinder me from being an agent	46 39.3%	48 41.0%	10 8.5%	7 6.0%	6 5.1%
I will try my best to become an agent	44 37.6%	43 36.8%	18 15.4%	4 3.4%	8 6.8%
I am determined to complete the task of owning a POS business	46 39.3%	44 37.6%	11 9.4%	8 6.8%	8 6.8%
I have begun looking for locations to start my own business	47 40.2%	33 28.2%	23 19.7%	7 6.0%	7 6.0%

Source: Researcher's Survey, 2022

Table 1 displays a descriptive analysis of participant responses to questions that were weighted and further evaluated before being utilized in hypotheses. These queries represent the variables of the subject under study. The first query aimed to ascertain how Nigerian youth felt about agency banking. Strongly agreeing with having a positive attitude toward agency banking was expressed by 71 respondents (60.7%), agreeing by 38 respondents (32.5%), disagreeing by 6 respondents (5.1%), and remaining neutral by 2 respondents (1.7%). The percentage of respondents who agreed and strongly agreed with the statement that the idea of a

point-of-sale business appeals to them was greater (92.4%) in the table. The participants said they would think about prospects that would result in the creation of jobs, with 73 saying they strongly agreed (62.4%), 34 saying they agreed (29.1%), 6 saying they disagreed (5.1%), and 4 saying they severely disagreed (3.4%).

According to the data in the table, a larger proportion of participants concurred that they would consider possibilities' capital needs and profitability and would try their best to create and run their own POS firm. 81.2% of participants said that because they like running a profit-driven firm, agency banking will provide them with more advantages than challenges. They also said they would be open to becoming agents once they had the necessary funding because they thought the agency business would be lucrative.

According to the survey respondents' responses in Table 4.5, 72.6% agreed they had all the knowledge and training necessary to become agents, and 76.9% said they did not foresee any challenges in starting their agency banking firm. This claim is supported by the 82% of participants who concurred that every agency banking representative they had encountered had attested to the company's profitability. The following responses were given to the statement: Agency banking risks will not prevent me from being an agent: 46 (39.3%) strongly agreed, 48 (41.0%) agreed, 10 (8.5%) disagreed, 7 (6.0%) disagreed, and 6 (5.1%) uncertain.

With 68.4% of respondents actively seeking sites to launch their businesses, participants admitted they would do their best to become agents and were determined to start an agency banking firm.

Considering the nature of the variables involved in this study had one independent variable (Agency banking) and multiple variables explaining the dependent variable, Nigerian Youths (perceived desirability to be an entrepreneur, perceived feasibility, and propensity to act), the Multivariate regression analysis using SPSS version 23 was adopted to explain the relationship between the variables and test the stated hypotheses. The result of the analysis is presented in Table 2 below.

From the regression results, the coefficient of determination was 0.640 for perceived desirability, 0.486 for perceived feasibility, and 0.433 for propensity to act. This implies that 64%, 48.6%, and 43.3% of the variation in the dependent variables can be explained by variations in the Dependent variable, Hence providing evidence that the independent variable affects the dependent variables. This explains that agency banking affects Nigerian youths by making them find entrepreneurship more desirable and feasible and encouraging them to start a venture.

The analysis confirmed if the independent variable's effect on the dependent variables was significant. With F- Value = 16.949 and P-Value = .000 for hypothesis one, F- Value = 9.039 and P-Value = .000 for hypothesis two, and F- Value = 7.291 and P-Value=.0000 for hypothesis three. Since the p-value for the three hypotheses stated  $\alpha=0.05$ , we reject the null hypothesis and accept the alternative hypothesis.

Hence:

i. HA1: Agency banking has a significant effect on the Perceived desirability of Nigerian youths to become entrepreneurs

HA2: Agency banking has a significant effect on the Perceived feasibility of entrepreneurial ventures of Nigerian Youths

HA3: Agency banking significantly affects the Propensity of Nigerian youth to act on a business venture.

**Table 2 Tests of Between-Subjects Effects**

Source	Dependent Variable	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	Perceived Desirability	932.194 <sup>a</sup>	11	84.745	16.949	.000
	Perceived Feasibility	857.942 <sup>b</sup>	11	77.995	9.039	.000
	Propensity to act	961.930 <sup>c</sup>	11	87.448	7.291	.000
Intercept	Perceived Desirability	3762.189	1	3762.189	752.435	.000
	Perceived Feasibility	3668.301	1	3668.301	425.123	.000



AB	Propensity to act	3575.490	1	3575.490	298.123	.000
	Perceived Desirability	932.194	11	84.745	16.949	.000
	Perceived Feasibility	857.942	11	77.995	9.039	.000
Error	Propensity to act	961.930	11	87.448	7.291	.000
	Perceived Desirability	525.002	105	5.000		
	Perceived Feasibility	906.023	105	8.629		
Total	Propensity to act	1259.301	105	11.993		
	Perceived Desirability	33824.000	117			
	Perceived Feasibility	31780.000	117			
Corrected Total	Propensity to act	30377.000	117			
	Perceived Desirability	1457.197	116			
	Perceived Feasibility	1763.966	116			
	Propensity to act	2221.231	116			
a. R Squared = .640 (Adjusted R Squared = .602)						
b. R Squared = .486 (Adjusted R Squared = .433)						
c. R Squared = .433 (Adjusted R Squared = .374)						

Source: SPSS Version 23 Output, 2022

### Discussion of Findings

According to research, young people in Nigeria are quite familiar with agency banking and have a favorable opinion of it. This demonstrates that agency banking has gained recognition among young people in Nigeria and is now seen as a viable enterprise. The majority of respondents went on to say that they like the idea of point-of-sale businesses. This was also the case in Nwachukwu et al.'s (2019) study, which found that mobile money and agent banking are becoming increasingly popular in Nigeria and that more Nigerians are using them.

More than 90% of the respondents said they would consider opportunities that would create jobs. Given the nature of unemployment and underemployment in Nigeria, this is evident. Young individuals can become self-employed through agency banking, and those already working can increase their income by starting a business and hiring someone to help run it, which will also create jobs. This is consistent with the conclusions of Akighir et al. (2020), who claimed that the introduction of agency banking in Benue State, Nigeria, will boost economic activity and employment and lessen poverty. Additionally, according to Barasa and Mwirigi (2013), agency banking is a sure way for young Nigerians to achieve financial security. Ezech *et al.* (2019) and Okoye-Nebo *et al.* (2014) affirmed that government programs like agency banking will create revenue and employment and significantly contribute to the nation's GDP.

Young people in Nigeria do not perceive any challenges in starting their own agency banking business, according to the information provided by the respondents for this study, which confirms that information and training on agency banking are available for those interested in starting a venture from it. Nigerian youngsters will not be deterred from entering the agency banking industry by its associated hazards. Participants admitted that despite the risks of robbery, poor network and internet connections, and unreliable bank platforms, they would make every effort to become agents and are committed to launching an agency banking business. According to this study, agency banking significantly affects Nigerian youths by encouraging them to create businesses and making entrepreneurship more appealing and feasible.

### CONCLUSION AND RECOMMENDATIONS

In light of the above discussions, the article concludes that agency banking can be a key driver and propeller of youth entrepreneurial intention in Nigeria. This study also concludes that their a growing awareness of how agency banking through the use of POS for transactions has become either a source of self-employment or a means of the second income stream among Nigerian youths. This was made possible through the introduction of programs by the Nigerian government like the SANEF and the fact that the access to information and training required to start the agency banking business has become available to all, and the cost of obtaining materials has become cheap due to competition and introduction of FINTECH companies in Nigeria.

Based on the findings of this study, it is concluded that agency banking has a significant effect on Nigerian Youths.

First and foremost, the Nigerian government should help Nigerian youths take advantage of the growth opportunities in agency banking by implementing policies like providing adequate security and working with others to build the infrastructure necessary to improve the internet and system network for agency banking. They can reduce the risks connected to agency banking by doing this.

Second, agencies offering agency banking services and FINTECH enterprises should increase their efforts to raise public awareness of financial literacy. Banks might collaborate with traditional leaders and religious figures to inform the populace about the effectiveness of agency banking. Therefore, traditional leaders and religious figures can promote agency banking as a safe, cutting-edge, and contemporary system.

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