

**AGENCY BANKING AND ITS EFFECTS ON THE PROFITABILITY AT EQUITY
BANK, ELDORET**

NAOMI SEREM

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ABSTRACT

The purpose of the study was to investigate the agency banking and its effect on the profitability of financial institution at Equity bank Eldoret. The specific objectives of the study were: To identify the effects of agency banking on branch set up costs at equity bank, to find out the effects of agency banking on service delivery, to investigate the effects of agency banking on credit access and to determine the challenges of agency banking on profitability of financial institution at Equity bank Eldoret. The study will be of great significance as it will help financial institution to know more challenges affecting Agency banking and take corrective measures to improve the business. The study used a case study research design, where the target population was 30 respondents. Census research method was used in the study and the sample size was 30 respondents. Questionnaires were the main instrument used to collect data and then data was analyzed using descriptive statistics and presented using frequency tables and percentages. From the findings it showed that, agency banking is effective in set up cost as it lowers the set up cost in the organization, agency banking lowers the running cost within the organization, agency banking minimizes fixed costs and agency banking lowers the acquisition costs within the organization. From the findings results showed that agency banking may lead to financial crisis, agents lack capacity to handle large transaction of cash, agents faces security measures challenges, the host bank faces constituents to supervise and regulate agent and the lack of expert training may be a problem in dealing with cash in cash out transaction. From the findings results showed that majority of the respondents agreed that agency banking may lead to financial crisis.