IMPACT OF AGENCY BANKING ON THE PERFORMANCE OF COMMERCIAL BANKS IN PAKISTAN

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Abstract - There is an increasing competition in online banking services in Pakistan. This compels commercial banks to search new ways to deliver financial services to unbanked people. In this context, commercial banks offer Agency banking as an alternative to tape the unbanked remote area population and to enhance their outreach and performance. The present study aims at analyzing the impact of agency banking in terms of number of agents employed, volume of cash depositsand volume of loan repayment on the bank's financial performance. For this purpose, data is collected from branchless banking newsletter of State Bank of Pakistan and from the annual reports of sampled banksfor the period of 2012-2016. Data is analyzed by using multiple linear regression analysis. Results of the study support the positive impact of adopting branchless banking in Pakistani banking sector to cater the unbanked remote area population and to enhance their financial performance and outreach. The findings of the study also show that volume of cash deposits, numbers of agentshas significant positive impact on the financial performance of banks, while volume of loan repayment and bank size have significant negative impact on the financial performance of banks.This study has implications for policy makers, regulator and commercial banks to enhance the use of branchless/Agency banking to improve the performance of banks.

Keywords - Agency banking, financial performance, Commercial banks in Pakistan.