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Convenience of Agency Banking and Financial Inclusion among Small and Medium Enterprises in Ilemela District, Tanzania

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Abstract

This study examined how the convenience of agency-banking services is associated with financial inclusion among small and medium enterprises (SMEs) in Ilemela District, Tanzania. The study was guided by Financial Intermediation Theory and used a cross-sectional mixed-methods design in which quantitative evidence was primary and qualitative evidence provided contextual explanation. Structured questionnaires generated 201 usable responses from a planned sample of 248 SME owners and managers, representing an 81.0% response rate. Quantitative data were analysed using descriptive statistics, Pearson correlation and multiple regression, while qualitative evidence was analysed thematically. The findings showed a relatively high level of perceived convenience: time saving recorded a mean of 4.13, transaction speed 3.91 and service reliability 3.72, producing a composite mean of 3.92. Convenience was positively and statistically significantly associated with financial inclusion ($r = .663$, $p < .01$). In the multivariate model, convenience recorded a positive standardized coefficient ($\beta = .381$, $p < .001$), while the overall agency-banking model explained 57.1% of the variation in financial inclusion ($R^2 = .571$; adjusted $R^2 = .565$; $F(3,197) = 87.42$, $p < .001$). Qualitative evidence indicated, however, that network interruptions, inadequate agent cash and electronic float, failed transactions and service unreliability could reduce the practical convenience of agency banking. The study concludes that convenience is an important correlate of financial inclusion among SMEs, but its benefits depend on reliable technological infrastructure and adequately resourced agents. It recommends strengthening network reliability, agent liquidity management, transaction-failure resolution and transparent service monitoring.

Keywords: *Agency Banking, Convenience, Financial Inclusion, Small and Medium Enterprises (SMEs), Ilemela District, Tanzania*

Introduction

Financial inclusion has become an important development and financial-sector policy objective because access to and effective use of formal financial services can support households and enterprises in making payments, accumulating savings, managing liquidity and participating more fully in the formal economy (Demirgüç-Kunt et al., 2022; Bank of Tanzania, 2023). Tanzania has made substantial progress in formal financial inclusion, with FinScope-based evidence showing formal inclusion rising to 76% in 2023 from 65% in 2017; however, the use of commercial-bank services remained much lower at 22%, indicating that broader formal inclusion does not automatically translate into deep use of banking services (International Monetary Fund [IMF], 2023).

Agency banking is one of the delivery mechanisms used by financial institutions to extend selected banking services beyond conventional branches through authorized third-party agents. Tanzania's policy framework recognizes expanded access points and innovative delivery channels as part of the national financial-inclusion agenda, particularly for underserved groups and enterprises (Bank of Tanzania, 2013, 2023). Empirical research in Tanzania also indicates that perceived usefulness, ease of use, trust and enabling conditions shape customers' uptake of agency-banking services, demonstrating that physical availability alone is insufficient to sustain use (Masele & Mwakitalu, 2024).

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Convenience is particularly relevant to small and medium enterprises (SMEs) because owner-managers frequently combine operational, purchasing, selling and financial responsibilities, making the time and effort required to obtain financial services economically meaningful. For medium-sized enterprises, which typically handle larger and more frequent transaction volumes, delays and failed transactions can also disrupt supplier payments and cash management. Agency banking may reduce travel distance, waiting time and interruptions to business operations by bringing transactions closer to enterprise locations; however, these advantages can be weakened by network failures, agent liquidity shortages, unsuccessful transactions and unreliable service (Dimbia & Wanjohi, 2023; Mufungo & Ngonyani, 2024). Evidence from Kenya similarly reports that time saving and convenience are positively associated with financial inclusion, while transaction costs can constrain the benefits of agency banking (Dimbia & Wanjohi, 2023).

The Tanzanian evidence base is growing but remains fragmented. Mufungo and Ngonyani (2024) found that accessibility, privacy and reliability of agency-banking services were positively associated with small-business performance in Chamwino District, while Masele and Mwakitalu (2024) found that perceived usefulness, ease of use and trust were important for agency-banking uptake among customers in Tanzania. These studies provide useful evidence on adoption and enterprise outcomes, but they do not directly establish how convenience relates to multidimensional financial inclusion among SMEs in Ilemela District. The present study addresses that contextual and empirical gap by focusing specifically on convenience and financial inclusion among SMEs.

Statement of the Problem

Tanzania's expansion of alternative financial-service channels has improved the reach of formal finance, yet national evidence continues to show a gap between broad formal financial inclusion and the use of commercial-bank services (IMF, 2023). This gap is important for SMEs because formal financial inclusion requires more than the physical presence of an access point; services must also be sufficiently reliable, timely and practical to support repeated business use (Bank of Tanzania, 2023; Masele & Mwakitalu, 2024).

Agency banking is expected to make banking more convenient by reducing the distance and time associated with branch visits and by enabling routine transactions closer to customers (Bank of Tanzania, 2013; Dimbia & Wanjohi, 2023). Nevertheless, evidence from Tanzania indicates that reliability, network conditions, transaction costs and operational constraints can influence the value customers obtain from agency banking (Mufungo & Ngonyani, 2024; Masele & Mwakitalu, 2024). Therefore, the existence of agents does not by itself demonstrate that agency banking provides the level of convenience necessary to deepen financial inclusion.

Previous studies have largely examined agency-banking adoption, general accessibility, agent outcomes or business performance, while comparatively less evidence isolates convenience as a predictor of financial inclusion among SMEs in a major urban commercial setting such as Ilemela District (Masele & Mwakitalu, 2024; Mufungo & Ngonyani, 2024; Shoo & Naho, 2025). This study therefore examined whether convenience—captured through time saving, transaction speed and service reliability—is associated with financial inclusion among SMEs in Ilemela District.

Purpose of the Study

The purpose of the study was to generate empirical evidence on the relationship between the convenience of agency-banking services and financial inclusion among SMEs in Ilemela District, Tanzania. The study treated convenience as a practical transaction-cost dimension of decentralized financial intermediation and examined whether enterprises reporting more convenient agency-banking experiences also reported stronger financial inclusion outcomes (Allen & Santomero, 1997; Diamond, 1984).

Objective of the Study

The study sought to examine how the convenience of agency-banking services facilitates financial inclusion among SMEs in Ilemela District, Tanzania.

Research Hypothesis

H_0: Convenience of agency-banking services has no statistically significant relationship with financial inclusion among SMEs in Ilemela District.

H_1: Convenience of agency-banking services has a statistically significant positive relationship with financial inclusion among SMEs in Ilemela District.

Literature Review

Theoretical Framework

The study was anchored in Financial Intermediation Theory, which explains the role of financial intermediaries in reducing information, transaction and liquidity-related frictions between economic actors (Gurley & Shaw, 1960; Diamond, 1984; Allen & Santomero, 1997). Financial intermediaries add value when they lower the costs that individual customers would otherwise incur in accessing, transferring and managing financial resources (Allen & Santomero, 1997). In an agency-banking setting, the agent operates as an extended service point through which a regulated financial institution decentralizes selected transactions, potentially reducing the distance, time and effort required to interact with the formal financial system (Bank of Tanzania, 2013).

The theory is relevant to convenience because transaction costs are not limited to explicit fees; they also include travel, waiting time, repeated visits, delayed transactions and the opportunity cost of leaving a business unattended. When an agent is nearby, transactions are completed quickly and service is dependable, the effective cost of formal banking can decline, increasing the practical attractiveness of repeated formal financial-service use (Allen & Santomero, 1997; Dimbia & Wanjohi, 2023). Conversely, network failure, inadequate cash or electronic float and failed transactions can recreate transaction costs and weaken the intermediation

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advantage expected from the agency model (Mufungo & Ngonyani, 2024).

Financial Intermediation Theory therefore supports an expected positive association between agency-banking convenience and financial inclusion, but it does not imply that physical decentralization automatically produces inclusion. The quality and reliability of the intermediary channel remain important because an unreliable access point may impose new costs even when it is geographically close to the customer (Allen & Santomero, 1997; Masele & Mwakitalu, 2024).

Empirical Literature Review

Dimbia and Wanjohi (2023) examined agency banking and financial inclusion among commercial-bank customers in Siaya County, Kenya. Using descriptive statistics and multiple regression analysis, they reported that time saving, serving hours and convenience were positively and significantly related to financial inclusion, whereas transaction cost had a negative and significant relationship. Their findings support the proposition that convenience is multidimensional and that time and cost conditions can influence whether customers meaningfully use agency channels (Dimbia & Wanjohi, 2023).

In Tanzania, Masele and Mwakitalu (2024) investigated agency-banking service uptake among CRDB Bank customers using data from 137 respondents and multiple regression analysis. Perceived usefulness, trust and ease of use showed positive influences on uptake, while facilitating conditions were positive but statistically insignificant; the model explained 40% of the variance in uptake. The study highlights the importance of ease of use and operational conditions, but its outcome variable was uptake rather than financial inclusion among SMEs (Masele & Mwakitalu, 2024).

Mufungo and Ngonyani (2024) examined agency-banking service provision and the performance of small-business entrepreneurs in Chamwino District, Tanzania, using a cross-sectional design and 108 respondents. Accessibility, privacy and reliability were reported as positive and statistically significant predictors of small-business performance. Although the study confirms that reliability matters for entrepreneurs, it focused on the performance of small businesses in a rural setting rather than the relationship between convenience and financial inclusion among both small and medium enterprises in Ilemela District (Mufungo & Ngonyani, 2024).

Shoo and Naho (2025) studied NMB Wakala agents in Morogoro Municipality and reported improvements in agent income and business-related skills, demonstrating that agency banking can create livelihood and service-delivery benefits within the financial ecosystem. However, the unit of analysis was the agent rather than the SME as a financial-service user, leaving the customer-side relationship between convenience and financial inclusion open for further investigation (Shoo & Naho, 2025).

Taken together, prior studies suggest that accessibility, ease of use, reliability, time saving and other convenience-related conditions matter for agency-banking adoption and outcomes, but differences in populations, settings and dependent variables limit direct inference for SMEs in Ilemela District (Dimbia & Wanjohi, 2023; Masele & Mwakitalu, 2024; Mufungo & Ngonyani, 2024). The present study contributes by isolating convenience and linking it directly to financial inclusion among SMEs.

Research Methodology

Research Design and Approach

The study adopted a pragmatic mixed-methods orientation and a cross-sectional research design. Quantitative evidence was the principal component, while qualitative evidence was used to explain operational experiences surrounding agency-banking convenience. A cross-sectional design was appropriate for estimating associations among variables measured from respondents at one period, but it does not establish temporal causality; consequently, the findings are interpreted as relationships rather than definitive causal effects (Creswell & Plano Clark, 2018; Saunders et al., 2019).

Study Area, Population and Sample

The study was conducted in Ilemela District, Mwanza Region, Tanzania. The target population comprised registered enterprises subject to eligibility screening for the small- and medium-enterprise categories. From a target population of 650 enterprises, a planned sample of 248 respondents was determined, and 201 usable questionnaires were obtained, yielding an 81.0% response rate. The quantitative respondents were owners or managers of eligible SMEs, while selected banking agents and bank officials provided complementary qualitative evidence (Ngavatula, 2026).

Proportionate stratification across wards was used to preserve geographical representation, followed by random selection of eligible SME respondents. Purposive selection was used for qualitative informants because their operational knowledge of agency banking was required to explain issues such as service reliability, network interruptions and agent liquidity. Combining probability and purposive techniques was consistent with the study's mixed-methods design and the distinct purposes of the quantitative and qualitative components (Creswell & Plano Clark, 2018; Saunders et al., 2019).

Data Collection and Measurement

Quantitative data were collected using a structured questionnaire with five-point Likert-scale items. For the objective reported in this manuscript, convenience was represented by time saving, transaction speed and service reliability. Financial inclusion was measured through indicators reflecting access to and active use of formal financial services, savings, credit access and perceived support to business activity. Qualitative evidence was obtained through semi-structured interviews addressing practical experiences with network performance, cash and electronic-float availability, transaction completion and service reliability (Ngavatula, 2026).

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Internal consistency was assessed using Cronbach's alpha in the parent study. The convenience construct recorded an alpha of .82 and the financial-inclusion construct .86, exceeding the commonly used .70 threshold for acceptable internal consistency in applied social-science research (Nunnally & Bernstein, 1994; Ngavatula, 2026).

Data Analysis

Descriptive statistics were used to summarize the convenience indicators and financial-inclusion outcomes. Pearson's correlation coefficient was used to assess the bivariate association between convenience and financial inclusion. Multiple regression analysis from the parent study was used to estimate the unique association of convenience with financial inclusion while accounting for the other agency-banking dimensions included in the model. Qualitative evidence was organized thematically and used to interpret the operational conditions behind the statistical patterns. Statistical significance was assessed at conventional levels, while effect estimates were interpreted as associations because the data were cross-sectional (Saunders et al., 2019; Ngavatula, 2026).

Results and Discussion

Response Rate and Profile of Respondents

Of the 248 questionnaires distributed, 201 were usable, giving a response rate of 81.0%. Respondents represented SMEs engaged in retail, service, manufacturing, agriculture and other activities, providing evidence from enterprises operating across different business contexts in Ilemela District (Ngavatula, 2026).

Table 1: Descriptive Results for Convenience of Agency-Banking Services

Convenience indicator	Mean	SD	Interpretation
Agency banking saves time	4.13	0.94	High agreement
Transactions are completed quickly	3.91	1.02	High agreement
Agency-banking services are reliable	3.72	1.10	Moderately high agreement
Composite convenience	3.92	—	Relatively high convenience

Source: Field data (2026).

Convenience of Agency-Banking Services

Table 1 shows that time saving received the highest mean score (M = 4.13, SD = 0.94), followed by transaction speed (M = 3.91, SD = 1.02) and service reliability (M = 3.72, SD = 1.10). The composite mean of 3.92 indicates that SME respondents generally perceived agency banking as a convenient channel for routine financial transactions, although reliability was rated less strongly than time saving and speed (Ngavatula, 2026).

The prominence of time saving is consistent with the basic transaction-cost logic of Financial Intermediation Theory: when a banking channel reduces the time and effort needed to reach and use formal financial services, the effective cost of intermediation falls (Allen & Santomero, 1997). It is also consistent with Dimbia and Wanjohi (2023), who found that time saving and convenience were positively associated with financial inclusion in Kenya. In the Tanzanian context, Masele and Mwakitalu (2024) similarly found that ease of use contributed positively to agency-banking uptake, reinforcing the practical importance of convenience-related attributes.

The lower mean for reliability is substantively important because convenience can be undermined when a transaction cannot be completed at the time it is needed. Mufungo and Ngonyani (2024) reported reliability as a significant agency-banking factor among small-business entrepreneurs in Tanzania, while the qualitative evidence from the present study identified network interruptions, inadequate cash and electronic float, failed transactions and service unreliability as constraints on the agency channel (Ngavatula, 2026). Thus, proximity and speed create value only when the service point remains operationally capable of completing the transaction.

Table 2: Descriptive Results for Financial Inclusion

Financial-inclusion indicator	Mean	SD
Easier access to a bank account	3.96	1.01
Active use of formal financial services	3.83	1.05
Formal services support business growth	3.82	1.03
Improved savings ability	3.67	1.11
Improved access to credit	3.12	1.24
Composite financial inclusion	3.68	—

Source: Field data (2026).

Financial Inclusion among Small and Medium Enterprises

Financial inclusion recorded a composite mean of 3.68. Easier access to a bank account had the highest mean (M = 3.96), followed by active use of formal financial services (M = 3.83) and perceived support to business growth (M = 3.82). Improved access to credit recorded the lowest mean (M = 3.12), indicating that the agency channel was more strongly associated with access and routine formal-service use than with enterprise credit (Ngavatula, 2026).

This pattern is consistent with Tanzania's broader financial-inclusion evidence, which shows substantial progress in formal inclusion while bank-service use and borrowing remain more limited than access to some other formal channels (IMF, 2023). It also suggests that convenience in transactional banking should not be treated as equivalent to comprehensive financial inclusion: convenient deposits, withdrawals and transfers may deepen formal usage without necessarily resolving the financing constraints faced by SMEs (Bank of Tanzania, 2023; IMF, 2023).

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Table 3: Correlation between Convenience and Financial Inclusion

Variables	r	p-value	N
Convenience ↔ Financial inclusion	.663	< .01	201

Source: Field data (2026).

Relationship between Convenience and Financial Inclusion

Pearson correlation analysis showed a positive and statistically significant relationship between convenience and financial inclusion ($r = .663$, $p < .01$, $N = 201$). The null hypothesis of no statistically significant relationship was therefore rejected. The coefficient indicates that SMEs reporting greater time saving, faster transactions and more reliable agency-banking experiences also tended to report higher levels of financial inclusion (Ngavatula, 2026). Because the design was cross-sectional, the coefficient should be interpreted as an association and not as evidence that convenience alone caused the observed financial-inclusion outcomes (Saunders et al., 2019).

The result is consistent with Dimbia and Wanjohi (2023), who reported a positive and significant influence of convenience-related agency-banking dimensions on financial inclusion. It also complements Masele and Mwakitalu (2024), whose Tanzanian evidence linked ease of use and perceived usefulness to agency-banking uptake. Together, these findings support the proposition that the practical quality of access—how quickly, reliably and easily a service can be used—matters alongside the mere existence of an agent.

Table 4: Multiple Regression Results for Agency-Banking Predictors of Financial Inclusion

Predictor	B	SE	β	t	p
Constant	.480	.206	—	2.33	.021
Accessibility	.240	.052	.269	4.62	<.001
Usage	.230	.050	.258	4.60	<.001
Convenience	.360	.056	.381	6.43	<.001

Model statistics: $R = .756$; $R^2 = .571$; adjusted $R^2 = .565$; $F(3,197) = 87.42$, $p < .001$. Source: Field data (2026).

Multivariate Contribution of Convenience

The parent regression model was statistically significant, $F(3,197) = 87.42$, $p < .001$, and the three agency-banking dimensions jointly accounted for 57.1% of the observed variation in financial inclusion ($R^2 = .571$; adjusted $R^2 = .565$). Convenience had a positive standardized coefficient ($\beta = .381$, $p < .001$) after accounting for accessibility and usage in the model. This coefficient was larger in magnitude than those for accessibility ($\beta = .269$) and usage ($\beta = .258$), but it should be interpreted as a model-specific association rather than as a universal ranking of policy importance (Ngavatula, 2026).

The positive coefficient supports Financial Intermediation Theory because a convenient agency channel can reduce the non-monetary transaction costs of formal finance, especially travel and waiting time (Allen & Santomero, 1997). Nevertheless, the qualitative evidence qualifies this mechanism: network downtime, insufficient agent liquidity and unsuccessful transactions can impose repeated visits and delays, thereby recreating the very transaction costs that agency banking is intended to reduce (Ngavatula, 2026). Similar operational concerns are reflected in Tanzanian studies that emphasize reliability and facilitating conditions in agency-banking performance and uptake (Mufungo & Ngonyani, 2024; Masele & Mwakitalu, 2024).

Qualitative Interpretation of Convenience

The qualitative evidence indicated that convenience was conditional rather than automatic. Respondents' experiences suggested that an agent could be physically close and nominally open while still being unable to complete a transaction because of network interruption, system downtime, inadequate cash or insufficient electronic float. Failed or delayed transactions could require repeated visits and could therefore increase rather than reduce the opportunity cost of banking for SME owners and managers (Ngavatula, 2026).

This distinction between physical convenience and effective convenience is important for financial-inclusion policy. National frameworks emphasize access, usage, quality and welfare-oriented outcomes rather than access points alone, and the Tanzanian agency-banking literature similarly shows that ease of use, trust, network conditions and reliability influence customers' willingness and ability to use the channel (Bank of Tanzania, 2023; Masele & Mwakitalu, 2024). The present findings therefore extend the discussion by showing that, for SMEs, convenience depends on both spatial proximity and operational readiness.

Conclusions

The study concludes that convenience of agency-banking services is positively and statistically significantly associated with financial inclusion among SMEs in Ilemela District. Respondents particularly valued time saving and transaction speed, while service reliability received a comparatively lower assessment. The bivariate association between convenience and financial inclusion was positive and substantial ($r = .663$, $p < .01$), and convenience remained statistically significant in the multivariate model ($\beta = .381$, $p < .001$) (Ngavatula, 2026).

The findings support the transaction-cost proposition of Financial Intermediation Theory: decentralized banking can make formal financial services more usable when it reduces travel, waiting time and transaction effort (Allen & Santomero, 1997). However, the findings also show that convenience is conditional on network reliability, agent liquidity, electronic float and successful transaction completion. Agency banking should therefore be understood as an operational service system rather than merely a network of physical access points (Masele & Mwakitalu, 2024; Mufungo & Ngonyani, 2024).

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Because the study used cross-sectional data, the results establish statistical association rather than definitive causality. Future longitudinal or panel studies could examine whether sustained improvements in convenience precede deeper use of formal finance, especially savings and enterprise credit, and could distinguish more clearly between transactional inclusion and financing inclusion. Future studies could also compare small and medium enterprises separately to establish whether the convenience–inclusion relationship differs by enterprise size (Saunders et al., 2019; IMF, 2023).

Recommendations

Banks should strengthen real-time monitoring of agent cash and electronic-float positions, network availability and transaction-failure rates because operational readiness determines whether geographical proximity translates into effective convenience. Service-level indicators should therefore include successful transaction completion, downtime, waiting time and complaint-resolution time rather than agent numbers alone (Bank of Tanzania, 2023; Mufungo & Ngonyani, 2024).

Financial institutions should establish rapid transaction-reversal and complaint-resolution mechanisms for failed agency transactions and provide clear customer information on charges, limits and service availability. Transparent and reliable service conditions can reduce uncertainty and repeated visits, thereby preserving the transaction-cost advantage of agency banking (Dimbia & Wanjohi, 2023; Masele & Mwakitalu, 2024).

Banks and policymakers should also connect convenient agency channels more deliberately with broader enterprise financial products. The relatively weak credit-access outcome suggests that convenient transaction services do not automatically translate into financing inclusion; referral systems, digital credit applications, transaction-history-based assessment and appropriately designed SME products warrant further development and evaluation (IMF, 2023; Bank of Tanzania, 2023).

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