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The effect of social environment on the business success of agent banking business in Nigeria

Israel O. Adebowale (Ph.D.)[1], **Oluwaseun T. Adeosun (Ph.D.)** ✉[2], **Olubunmi C. Faleye (Ph.D.)**[3]

[1] *Department of Business Administration, Bamidele Olumilua University of Education, Science and Technology, Ikere-Ekiti, Nigeria*

[2] *Department of Accounting, Bamidele Olumilua University of Education, Science and Technology, Ikere-Ekiti, Nigeria*

[3] *Department of Business Administration, Bamidele Olumilua University of Education, Science and Technology, Ikere-Ekiti, Nigeria*

Corresponding Author: Oluwaseun T. Adeosun (Ph.D.)**, E-mail:** adeosun.titi@bouesti.edu.ng

ABSTRACT

The profitability of Point-of-Sale (PoS) businesses remains susceptible to various social challenges despite the growing importance of agent banking in promoting financial inclusion and expanding access to financial services in Nigeria. Likewise, empirical evidence on the collective influence of ownership, business, and market characteristics on the profitability of agent banking businesses remains limited. This study examined the effect of the social environment on the profitability of agent banking businesses in Nigeria. The study adopted an explanatory research design using a survey approach. Data were collected through structured questionnaires administered to 385 PoS agents selected through a multistage sampling procedure across Ondo, Ekiti, and Oyo States, Nigeria. Data were analysed using multiple regression and principal component regression techniques. Findings revealed that educational qualification and gender had significant positive effects on profitability, while age had no statistically significant effect. Among business characteristics, expertise and experience were positively and significantly related to profitability, whereas stock-outs and operational costs exhibited negative but statistically insignificant effects. Market characteristics (transaction cost) had a significant positive effect on profitability, while network failures and the concentration of PoS agents negatively affected the profitability of agent banking businesses. The study concluded that social environment factors play a substantial role in predicting the profitability of agent banking businesses. The study recommends the strengthening of transaction infrastructure, promotion of sustainable pricing strategies and the support of informed agent deployment by the Central Bank of Nigeria, financial institutions, and payment service providers to minimize excessive market concentration and support agent banking profitability.

KEYWORDS

Age, agent banker, educational qualification, gender, stock-out, expertise, operational cost, transaction cost, network failure, PoS agent

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1. Introduction

The quest to extend banking services to underserved and economically disadvantaged populations, particularly in rural areas, has brought about the existence of agent banking globally. Since its inception, agent banking has enabled banks globally to provide financial services to marginalized populations across the globe at a reduced cost and has assisted governments of all nations to achieve their financial inclusion goals. Agent banking has transformed the lives of the marginalized population, which has resulted in economic transformation. Cull et al. (2018) reported growing global evidence that financial services provided to users have resulted in benefits such as risk management, a savings culture, accumulated savings that have enabled the creation of businesses at different scales, and financial shock absorption. All of these have indirectly transformed the economy by contributing to less volatile income and consumption patterns (Gupta & Singh, 2023).

In addition to its success in promoting financial inclusion in Nigeria, agent banking has contributed substantially to implementing the cashless policy and curbing financial illiteracy, and has served as a popular means of semi-employment to the citizens (Adeosun & Adeosun, 2023; Aruleba et al., 2022). Agent banking has become ubiquitous in Nigeria since its introduction by the Central Bank of Nigeria (CBN) in 2013 due to the public perception of its profitability. Nearly all retail outlets, supermarkets and filling stations among others are in possession of Point of Sale (PoS) terminals. Aside from the fact that agent banking drives business activities, some businesses focus primarily on providing quick access to financial services such as cash deposit and cash withdrawal at a fee

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to the public. These businesses, referred to as PoS agents, engage in agent banking in anticipation of a financial return. These PoS agents constitute the main focus of this study.

Although the activities of PoS agents are regulated by the CBN and other bodies such as super agents and the Association of Mobile Money and Bank Agents Nigeria (AMMBAN), they are at liberty to increase their service charges at will. This was revealed by Jaiyeola (2023) while reporting in the Punch newspaper about the displeasure of the federal government at the intent of the PoS agents to increase their service charges due to the hardship currently experienced in Nigeria. The liberty was given to the PoS agents because the federal government does not want them to operate at a fixed price that would undermine their business model. The liberty could be perceived and translated by the public as high profitability in the agent banking business. However, Oladunmade and Oloruntade (2023) revealed that the CBN had previously, in its regulatory guidelines for the business, pegged the service fee at one percent of customers' transaction values.

Besides, the needs assessment carried out on PoS agents in different markets in Ado city, Nigeria, revealed that the business is plagued with different challenges that serve as a threat to their success and sustainability while also revealing that the business may not be as profitable as perceived by the public. Diverse issues such as network reliability, location, the ever-increasing number of PoS agents and liquidity, among others, which are peculiar to the business, hamper their profitability and sustainability. Furthermore, due to the nature of the business and the way it is perceived by the public, they are often a target for criminal activities (Truman & Langton, 2013; Alvazzi del Frate, 2004; Mawby, 2003). These are among the numerous societal issues militating against their performance.

An interesting finding while performing the needs assessment is that the agent business incurs operating costs that are unknown to the public. Besides the general initial cost of PoS terminal acquisition from banks and the various financial technology companies that are major players in the agent banking business, and the operating costs peculiar to the various agent businesses, the PoS agents are saddled with the responsibility of remitting a certain amount to the provider from whom they acquire their PoS terminal. This amount is quite different from the installment repayment that could be due to the inability of a PoS agent to fully pay the acquisition cost of the PoS terminal at the point of acquisition.

Moreover, the business is plagued with social environmental factors that negatively impact its profitability. The social environment entails the belief system of consumers, their desires, values, attitudes, consumption patterns, and market behaviors among others (Forsyth, 2022). Some factors such as owners' characteristics and business characteristics are peculiar to the internal environment of the business (Adeniran, Burodo & Suleiman, 2022; Balasubramanian & Drake, 2015) and can be easily controlled while factors such as market characteristics deal with the external environment of the business (Cull et al., 2018; Adagba & Shakpande, 2016) and cannot be easily controlled. In the agent banking business, these factors individually and sometimes collectively, work to affect the level of patronage received by an agent banker. Customer patronage is a major determinant of the profitability of agent banking businesses, regardless of the amount charged as a service fee. Hence, these factors are vital to the performance of PoS agency businesses.

Although a new area of research is gradually arising on the impact of the social environment on criminal victimization (Adeosun & Adeosun, 2023; Ojedokun & Ilori, 2022), only a few studies have considered the impact of social environment on agent banking in terms of owners' characteristics, business characteristics and market characteristics. Most of the relevant studies reviewed here do not focus on performance in terms of profitability and were conducted outside Nigeria. Given the perception of high profitability associated with the nature and growing number of these businesses, together with the findings of the needs assessment, this study specifically examines the effect of owner's characteristics, business characteristics and market characteristics on the success of agent banking businesses in Nigeria. Business success is considered in terms of profitability.

Despite the growing presence of agent banking in Ondo, Ekiti, and Oyo States, preliminary observations suggest that PoS agents in these locations face persistent challenges such as network instability, liquidity constraints, rising competition, and security concerns. However, previous literature has not sufficiently examined how these socially embedded factors influence the profitability of agent banking businesses within these states.

2. Literature Review and Hypothesis Development

2.1 Theoretical Background

Social Capital Theory and the Social Environment of Agent Banking Business in Nigeria

A business's social environment generally refers to the system of societal values, norms, beliefs, attitudes, and behavioral patterns that shape individuals' interactions with and responses to business activities. It entails the cultural and relational context within which business operations influence customers' perceptions, expectations, and patronage decisions (Akintimehin et al., 2019; Forsyth, 2022). In this regard, the social environment extends beyond abstract societal traits to observable behaviors that directly affect business outcomes such as trust, consumption patterns, and market interactions (Eruemegbe, 2015).

The social environment in the context of agent banking business in Nigeria reflects the interplay of agents and the communities they serve. Given the highly interpersonal and trust-dependent nature of PoS transactions, several factors significantly influence customer patronage and, ultimately, business profitability. These factors include customer trust, service expectations, perceived reliability, and societal attitudes towards financial services (Cull et al., 2018; Gupta & Singh, 2023; Adeniran et al., 2022; Chamboko et al., 2021). Moreover, customer behavior towards agent bankers is further shaped by societal issues such as crime, fraud concerns, and information security (Adeosun & Adeosun, 2023; Ojedokun & Ilori, 2022).

The social environment is conceptualized by this study along three interrelated dimensions: ownership characteristics, business characteristics, and market characteristics. Owner characteristics include demographic and personal attributes such as age, gender, education, and perceived trustworthiness, which influence how customers relate to agents (Gupta & Singh, 2023; Adeniran et al., 2022). Business characteristics refer to service-related and operational attributes such as agent expertise, service quality, transaction costs, and system reliability, which shape customer satisfaction and usage behavior (Balasubramanian & Drake, 2015; Nworie & Okafor, 2023). Market characteristics capture external conditions such as competition, availability of alternative financial services, and the density of agents within a location, which affect customer choice and transaction volume (Cull et al., 2018; Adagba & Shakpande, 2016).

These factors, even though they appear operational, are embedded within the broader social context due to their influence on customer perceptions, expectations, and behavioral responses. For instance, trust may be reduced by high transaction costs or frequent network failures. These may discourage patronage. The combination of these factors socially mediates outcomes. Thus, the social environment is best understood as a dynamic and multi-dimensional construct that integrates individual, organizational, and market-level interactions.

The social environment pertaining to business is explained better by the relational dimension of social capital theory as proposed by James Coleman (1926-1995). The theory is of the opinion that factors such as values, social norms and belief systems interact with development in several ways. Coleman sees social capital as the embodiment of the cultural trait of a society which translates to wealth, meaning that the owner, business, and market characteristics combined could serve as an actor that possesses the capacity to make a business successful through wealth creation. Claridge (2018) explains that Coleman perceived social capital as residing primarily in the social structure of interactions among people and serving as a public good where the actions of individuals benefit the whole society (Tzanakis, 2013) including organizational structures and businesses.

The aim of Coleman's concept of social capital is to incorporate the economic principle of rational action into the analysis of a social system with a keen interest in the developmental process of social organizations (Jordan, 2015; Forsman, 2005). This stems from Coleman's assertion in 1988 that individuals act independently and for their self-interest. This implies that the actions of individuals within a social context regarding business patronage primarily serve their self-interest. The basis behind the independent action stems from the differential impact of social environment characteristics such as values, norms, belief, trust, expectations, networks and so on. These also form the underlying basis of social capital.

The profitability of PoS agency businesses in Nigeria is greatly impacted by the level of patronage they receive given their ubiquitous nature and direct dealing with individuals. Hence, they are highly susceptible to the factors in the social environment influencing the expectations, actions and decisions of individuals who serve as their customers. Social capital theory is significant to the success of PoS agency business because it provides access to more information, gives a better understanding of the attitudes and behaviours of customers and increases social cohesion which serves as a bond that links businesses to their customers (Hamiza et al., 2020; Welzel et al., 2005). Although a major criticism of social capital theory is that it cannot be classified as capital because it is believed that it doesn't fit into any form of capital (Claridge, 2018), it is nevertheless relevant to this study because it highlights the interconnection of characteristics that form the social environment of a business and how they work in influencing the success of a business.

2.2 Hypothesis Development

Customer patronage, which is shaped by the social environment, is a major driver of the success of agent banking businesses. Social capital theory suggests that social relationships, trust, and shared norms facilitate economic exchanges. Economic transactions in agent banking are highly interpersonal and trust-dependent. Hence, these social factors are crucial in determining customer choice and security of use. Empirical evidence supports the argument that social environment influences agent banking outcomes. For instance, previous scholars showed that savings behavior, business creation, and risk management contribute to economic stability through access to financial services provided by agent bankers (Cull et al., 2018; Gupta & Singh, 2023).

Ownership characteristics represent the personal and demographic attributes (e.g. age, gender, and education) of PoS agents which are critical determinants of patronage due to their influence on customers' perceptions. Findings on this remain mixed. For instance, Gupta and Singh (2023) found that male agents tend to perform better due to higher transaction volumes, suggesting that gender plays a role in shaping business outcomes. In contrast, Chamboko et al. (2021) reported that female customers prefer female agents, particularly for high-value transactions, indicating that gender-based trust and comfort significantly influence patronage decisions. Similarly, Cull et al. (2018) found that trust associated with agent characteristics, such as age, positively affects transaction volumes. These findings point out that owner characteristics influence profitability indirectly through customer behavior.

H_1a: Owner characteristics have a significant effect on the profitability of agent banking businesses.

Business characteristics refer to service-related and operational attributes such as agent expertise, service quality, liquidity availability (stock-out), and operational costs. These factors, though operational, are embedded within the social environment, due to their ability to shape customer perceptions and experiences. Balasubramanian and Drake (2015) found that service quality factors such as agent expertise and system reliability significantly influence customer demand. Adeniran et al. (2022) also reported that customer satisfaction with PoS services is influenced by service quality, which in turn affects transaction behavior. Furthermore, Nworie and Okafor (2023) identified network issues, high transaction costs, and security concerns as major factors discouraging the use of PoS services in Nigeria. Similarly, Amaefule et al. (2019) highlighted that operational challenges such as network failure

and high charges reduce the efficiency and usage of agent banking services. These provide evidence that repeated patronage is shaped by business characteristics.

H_1b: Business characteristics have a significant effect on the profitability of agent banking businesses.

Market characteristics entail external environmental conditions such as transaction cost, competition (density of agents), and infrastructure reliability (e.g., network availability), which influence customer choice and transaction volume. Cull et al. (2018) found that market characteristics, particularly the availability of financial services within a locality, have a stronger influence on transaction volume than owner or business characteristics. Similarly, Adagba and Shakpande (2016) argued that external environmental factors significantly affect business performance. In the Nigerian context, Amaefule et al. (2019) and Nworie and Okafor (2023) revealed that high transaction costs, network failures, and increasing competition among agents discourage customer usage and reduce transaction frequency. These underscore the significance of market characteristics.

H_1c: Market characteristics have a significant effect on the profitability of agent banking businesses.

Even though these dimensions independently influence business performance, they also collectively form the social environment where agent banking operates. Given that transaction volume and customer retention largely drive profitability for agent bankers, the combined effect of these factors is tested and expected to be significant.

H_1: Social environment has a significant effect on the profitability of agent banking businesses in Nigeria.

3. Methodology

This study uses an explanatory research design and a survey method to test the hypothesized relationships and explain the causal links between variables. Though the focus on social environment within agent banking profitability is relatively novel, the underpinning variables have been examined in prior empirical studies (Balasubramanian & Drake, 2015; Cull et al., 2018; Gupta & Singh, 2023). The survey method enables the systematic collection of data from a large number of agent bankers using structured questionnaires. The study adopts a multistage sampling technique to select respondents across Ondo, Ekiti, and Oyo States, Nigeria in the same manner as Adeosun (2023). This choice is hinged on the wide geographical coverage of the study area and the absence of a comprehensive sampling frame for PoS agents. The first stage includes the purposive selection of the three states based on their relevance to the study. The second stage involves the purposive selection of Local Government Areas (LGAs) within each state with a focus on areas with high commercial activities and a significant presence of agent banking operations. The third stage involves the cluster selection of major markets, business districts, and commercial clusters within the selected LGAs. Respondents within these clusters were selected based on their availability, active involvement in agent banking services and willingness to participate in the study. The sample size of 385 was determined using Cochran's formula. Data were analyzed using multiple regression analysis. The study adapts the model of Cull et al. (2018) which stated that:

Y= f (agent)

Where Y represents the volume of cash-in or cash-out transactions for agents, and the agent represents personal characteristics and the business characteristics of the agent. The model is expanded and restated thus:

$Y= \beta0 + \beta1OC + \beta2BC + \beta3MC + \mu$ eq1

Where Y represents the monthly profit realized by the PoS agents, OC represents the owners' characteristics, BC represents the business characteristics while MC represents market characteristics. The model is expanded thus:

$Y= \beta0 + \beta1AG + \beta2EL + \beta3GR + \mu$ eq2

Where AG represents age, EL represents education level and GR represents the gender of the agent.

$Y= \beta0 + \beta1SO + \beta2EP + \beta3OC + \mu$ eq3

Where SO represents stock-out, EP represents the expertise of the agent and OC represents the operating cost of the agent.

$Y= \beta0 + \beta1TC + \beta2NF + \beta3PN + \mu$ eq4

Where TC represents transaction cost, NF represents network failure and PN represents the population of PoS agents situated in a particular business location.

4. Results and Discussion

H_1a: Owner characteristics have a significant effect on the profitability of agent banking businesses.

The result of the analysis presented in Table 1 revealed that owner characteristics jointly explained 3% of the variance in the profitability of agent banking businesses while the remaining 97% could be attributed to other variables not captured in this model. The analysis of variance reported an F-statistic of 3.894 and a p-value of 0.009, indicating that the model is statistically significant. The collinearity test revealed values ranging from 0.908 to 0.999 and VIF values from 1.100 to 1.101, which implies that multicollinearity is not an issue among the independent parameters. Obviously, the result shows that age as an ownership characteristic (β=0.023, t=0.300, p=.764) has a positive but not significant effect on the profitability of agent banking businesses. The direction of the result implies that age of the business owners does not statistically determine the profitability of agent banking businesses. On the other hand, educational qualification as an owner characteristic with values of (β =0.113, t=2.170, p=.031), shows a positive and statistically significant effect on profitability of agent banking businesses. This implies that the owners with higher qualifications tend to make more profit in their businesses. Similarly, the results indicate that gender had a value of (β = .226, t=2.508, p=.013), indicating a positive and statistically significant effect on profitability of agent banking businesses. This means that the profitability significantly differs based on the gender of the owner of agent banking businesses. From the analysis,

it could be deduced that educational qualification and gender influence profitability of agent banking businesses while age does not. The stated hypothesis 1 is therefore partially supported. Therefore, educational qualification and gender-related factors are more relevant to profitability of agent banking businesses than the age of owners.

Table 1: Multiple regression analysis showing the effect of owner characteristics on profitability of agent banking businesses.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		R Square	Adjusted R Square	ANOVA
		B	Std. Error	Beta			Tolerance	VIF			F.Stat. (p.value)
1	(Constant)	3.918	.230		17.028	.000			.030	.022	3.894 (.009)
	Age	.023	.077	.016	.300	.764	.909	1.100			
	Educational Qualifications	.113	.052	.115	2.170	.031	.908	1.101			
	Gender	.226	.090	.127	2.508	.013	.999	1.001			

4.1 Source: Field Survey, 2026

H_1b: Business characteristics have a significant effect on the profitability of agent banking businesses.

Table 2 revealed that business characteristics jointly have statistically significant effects on the profitability of agent banking businesses (F=3.078, P=0.028). Meanwhile, the explanatory power of the model is low with the value of (R^2 = .024; adjusted R^2 = .016). This implies that the stock-outs, expertise and operational cost accounted for only 2.4% of the variation in profitability of agent banking businesses while the remaining 97.6% could be attributable to other parameters not considered in the model. The collinearity test indicates that there is no problem of multicollinearity in the model since the values, ranging from 2.040 to 2.784, are less than the threshold. Independently, the analysis shows that only expertise/experience had a positive and statistically significant effect on the profitability of agent banking businesses with the value of (β=.180, t=2.184, p=.030). The result shows that business experience is directly associated with higher profitability of agent banking businesses. However, the results revealed that stock-outs (β = −.019, p = .794) and operational costs (β = −.009, p = .924) have negative and statistically insignificant effects on the profitability of agent banking businesses. This implies that there is not enough evidence that stock-outs and operational costs are associated with profitability of agent banking businesses in the model. Therefore, hypothesis 2 is partially supported by the regression coefficients presented in the analysis.

Table 2: Multiple regression analysis showing the effect of business characteristics on profitability of agent banking businesses

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		R Square	Adjusted R Square	ANOVA
		B	Std. Error	Beta			Tolerance	VIF			F.Stat. (p.value)
1	(Constant)	2.360	.213		11.081	.000			0.024	0.016	3.078 (0.028)
	Stock-outs	-.019	.073	-.019	-.262	.794	.490	2.040			
	Expertise/experience	.180	.083	.171	2.184	.030	.419	2.385			
	Operational costs.	-.009	.091	-.008	-.096	.924	.359	2.784			

4.2 Source: Field Survey, 2026

H_1c: Market characteristics have a significant effect on the profitability of agent banking businesses.

Table 3 showed that market characteristics are jointly and statistically associated with the profitability of agent banking businesses (F=346.751, p<.05). The R2 value of .732 shows that transaction cost, network failure and population of POS agents accounted for about 73.2% of variation in the profitability of agent banking businesses, while the remaining 26.8% could be traced to other variables not included in this model. The VIF values (1.295 – 1.383) and tolerance values (.723-.772) indicate no multicollinearity problem in the model. Independently, the result shows that transaction cost has a positive and statistically significant effect on the profitability of agent banking businesses with a coefficient of (β = .329, p<0.05). This implies that for every one-unit increase in transaction charges collected from customers, there is a corresponding increase of B=1.449 in profitability. However, the result depicted that Network Failures (B=-1.783, β = -.387, p<0.05) exerted a negative and significant effect on the profitability of agent banking businesses. Similarly, the result indicates that the Population of PoS Agents (B=-1.835, β =-.380, p<0.05) had a negative and statistically significant effect on the profitability of agent banking businesses. Therefore, the null hypothesis three is not rejected.

Table 3: Multiple regression analysis showing the effect of market characteristics on profitability of agent banking businesses

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		R Square	Adjusted R Square	ANOVA
		B	Std. Error	Beta			Tolerance	VIF			F.Stat. (p.value)
1	(Constant)	24.698	.389		63.466	.000			.732	.730	346.751 (.000)
	Transaction Cost	1.449	.137	.329	10.549	.000	.723	1.383			
	Network Failures	-1.783	.140	-.387	-12.770	.000	.766	1.306			
	Population of PoS Agents	-1.835	.146	-.380	-12.582	.000	.772	1.295			

4.3 Source: Field Survey, 2026

4.4 Diagnostic Test for Principal Component Analysis

Table 4 shows the result of a pre-estimation test to check whether the data set fulfills the assumption of principal component analysis. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy revealed a value of 0.899, which indicates that the data are scalable and adequate for principal component analysis. Furthermore, the coefficient of Bartlett's Test of Sphericity of 0.000 shows that there is enough variance in the data. Therefore, principal component regression can be conducted to establish the combined effect of the social environment on the profitability of agent banking businesses.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.899
Bartlett's Test of Sphericity	Approx. Chi-Square	2693.708
	Df	78
	Sig.	.000

4.5 Source: Field Survey, 2026

H_1: Social environment has a significant effect on the profitability of agent banking businesses in Nigeria.

Table 5 presents the combined effects of social environmental parameters on the profitability of agent banking businesses in Nigeria. The result revealed an R2=0.774 and adjusted R2=0.772. This indicates that owner characteristics, business characteristics and market characteristics jointly explain 77.4% of the variation in the profitability of agent banking businesses. The F-statistic (434.433, p≤0.05) indicates that the regression model is statistically significant. This means that the extracted components jointly have a statistically significant association with profitability of agent banking businesses. The result further revealed specifically that owner characteristics have a positive and significant effect on the profitability of agent banking with the coefficient of (β =.436,

t=17.881, p=<0.05). Also, the business characteristics (β=.746, t=30.620, p=0.000) exerted a positive and significant effect on profitability of agent banking businesses. The result shows that market characteristics (β= .165, t=6.784, p=<0.05) have a significant and positive effect on the profitability of agent banking businesses. Therefore, the hypothesis is accepted. The results revealed that business characteristics make the strongest contribution to profitability, followed closely by owner characteristics, while market characteristics make the smallest contribution.

Table 5: Principal Component Regression Analysis for combined effect of social environmental factors on profitability of agent banking businesses

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	R Square	Adjusted R Square	ANOVA
		B	Std. Error	Beta					F.Stat. (p.value)
1	(Constant)	6.526	.057		113.533	.000	.774	.772	434.433 (.000)
	OC	1.029	.058	.436	17.881	.000			
	BC	1.762	.058	.746	30.620	.000			
	MC	.390	.058	.165	6.784	.000			

Source: Field survey, 2026

4.6 Discussion

The findings show that owner characteristics such as age, educational qualification, and gender have a significant effect on the profitability of agent banking businesses. The finding is in agreement with the previous empirical study by Gupta and Singh (2023), who found that male agents tend to perform better due to higher transaction volumes, suggesting that gender plays a role in shaping business outcomes. The finding also supports the study of Cull et al. (2018) that trust associated with agent characteristics, such as age, positively affects transaction volumes. This implies that differences in the characteristics of the owners of agent banking businesses may determine their economic growth in terms of profit making.

Furthermore, the finding that business characteristics such as expertise/experience in business positively and significantly contribute to the profitability of agent banking businesses supports the findings of Balasubramanian and Drake (2015), who found that service quality factors such as agent expertise and system reliability significantly influence customer demand. The finding also agrees with Adeniran et al. (2022) that customer satisfaction with PoS services is influenced by service quality, which in turn affects transaction behavior. The findings that stock-outs and operational costs have negative effects on the profitability of agent banking businesses, especially when they are not well managed, align with the study of Amaefule et al. (2019) that operational challenges such as network failure and high charges reduce the efficiency and usage of agent banking services. Stock shortages interrupt transactions and may lead to customer dissatisfaction, while excessive operating expenses may reduce the profit margin.

In addition, the findings that market characteristics such as transaction costs exerted a positive effect on the profit of agent banking businesses, while network failures and the population of PoS agents negatively affected profitability, agree with the study of Nworie and Okafor (2023) that high transaction costs, network failures, and increasing competition among agents discourage customer usage and reduce transaction frequency.

5. Conclusion and Recommendations

The study examined the effect of the social environment, measured through owner, business, and market characteristics, on business success, proxied by the profitability of agent banking businesses in Nigeria. The study concluded that the profitability of agent banking businesses is related to social environment factors such as owner, business and market characteristics. The knowledge and managerial skills of the business owner contribute to the profitability of agent banking businesses. In addition, the importance of transaction charges cannot be jettisoned because they contribute to the profitability of agent banking businesses. The study also concluded that network failures that disrupt transactions and a high population of PoS operators, which increases competition in the same environment, have far-reaching effects on the profitability of the business. Finally, it is concluded that to sustain business success, there is a need to improve operator skills, establish effective transaction channels, and follow sustainable pricing and positioning strategies to enhance the profitability of agent banking enterprises.

The following recommendations were made based on the findings of the study. Given the significant positive relationship between educational qualification, business expertise, and profitability, banks, financial technology companies, and other agent banking service providers should prioritize capacity-building initiatives aimed at strengthening the financial literacy, operational competence, and business management skills of PoS agents. This should incorporate practical training in transaction management,

financial recordkeeping, customer relations, and business decision-making. Training programs should also accommodate differences in agents' educational backgrounds and provide equitable opportunities for participation regardless of age or gender.

The significant negative relationship between network failures and profitability underscores the need for improved digital payment infrastructure and transaction reliability. Therefore, banks, payment service providers, telecommunications companies, and the regulatory institutions guiding agent banking operations in Nigeria should collaborate to strengthen network connectivity, minimize transaction disruptions, and establish efficient mechanisms for resolving failed transactions. This will help to boost customer confidence and protect agent bankers against revenue losses associated with unreliable transaction systems.

The positive relationship between transaction charges and profitability suggests the importance of adopting sustainable pricing strategies that balance revenue generation with customer affordability. A transaction charge that adequately reflects agents' operating expenses while remaining competitive in their business environment should be established. At the same time, agent bankers should engage in basic market assessment to evaluate the demand for agent outlets and consider the number of existing agents in an environment before opening a new outlet. Likewise, outlets should be opened in an underserved area in order to avoid market saturation and to improve their profitability while supporting the broader objective of financial inclusion.

Furthermore, the negative and insignificant effects of stock-outs and operational costs on the profitability of PoS agents indicate the need for the adoption of prudent liquidity and expenditure management practices to improve operational efficiency. The ability to maintain adequate transaction liquidity, monitor operating expenses, and develop contingency arrangements for service interruptions would strengthen the resilience of agent banking businesses and reduce avoidable operational difficulties.

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