

CASH DEPOSITS AND MARKET VALUE OF COMMERCIAL BANKS LISTED IN NSE IN KENYA

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ABSTRACT

Market value measures the value of a commercial bank's shares in the securities exchange market. Commercial banks' market value allows them to provide credit and loans to both individuals and corporations. Commercial banks can encourage financial inclusion and deepening for their clients, consumers, and businesses nationwide by using their market value. Nonetheless, the market value of commercial banks in Kenya has significantly decreased. This study's main objective was to determine the effect of cash deposits on market value of commercial banks listed in NSE in Kenya. The theory that underpinned this study was the cash conversion cycle theory. A descriptive research methodology was used to carry out the investigation. The investigation's target population was eleven profitable banks listed in the NSE in Kenya. The study's eligible population consisted of 11 profitable banks. The study used census survey strategy for sampling. A secondary data collecting sheet was used to gather secondary data. To facilitate entry, data was coded, checked, and referenced. The statistical package of the social sciences was the statistical tool of analysis.

The study used both descriptive and inferential methodologies, and the results were presented using tables. The study findings showed that an increase in cash deposits would result in a 0.612 increase in the market value of commercial banks listed on the NSE. This implied that the study variables were significant. The study concluded that cash deposits have a great effect on the market value of commercial banks listed at the Nairobi securities exchange in Kenya. This is because increase in fee commission leads to more deposits to be made in the commercial bank listed at the Nairobi securities exchange. Additionally, increase agency cash float means that more money is available for lending by the commercial banks. As a result, the study recommends that commercial banks should encourage their clients to make larger deposits into their accounts. This is because huge deposits lead to an increase in the market value of commercial banks listed at the Nairobi securities exchange.

Key words: Cash Deposits, Market Value, NSE Listed Commercial Banks.

INTRODUCTION

Market value is the amount that an asset or business is worth, as determined by market participants, in the financial market (Peter, 2023). Market value is determined by multiplying the number of shares in circulation by the price at which the shares are currently trading. A share's basic market value is the price that buyers are ready to pay a seller on a stock exchange

for these assets. Market value assesses the worth of bank's shares on exchange marketplaces (Yaseen, 2023). The assessment is conducted in the market for publicly traded banks whose shares are exchanged on a stock exchange. High expectations for a stock's future success are associated with strong demand for the stock. Market value of a bank can be used to assess the value of the firm (Jote, 2023).

Market value is a crucial metric for speculators to ensure a profit on their endeavor. Daily fluctuations in stock value provide publicly available information on a publicly traded profitable bank's health. (Kato, 2023). When estimating the equity of a firm, market value speaks for the broader public. Stock prices can reflect all relevant information about profitable banks' past, present, and future activities, whether it be public or private, according to a productive security exchange hypothesis (Dotun, 2022). Market value serves as a proxy for profitable banks' potential revenue streams, and risk associated with obtaining such streams at a pace that meets the standard rate of return. The price that buyers are prepared to pay for securities to a corresponding seller on a stock exchange is known as the basic market value of shares (Mwau, 2020).

Investors are confident in stock's potential for the future performance of the firm. High market value is frequently associated with strong demand for stocks (Bello, 2022). The fact that market value offers a precise technique to determine an asset's value and does away with any doubt or ambiguity is one of the key reasons it is significant. Hence, the worth of shares can be frequently seen differently by buyers and sellers. Market value captures both buyer and seller expectations (Gathuru, 2019). Agent banking services is the term used to describe how registered financial institutions provide their banking services via agents or other third-party intermediaries. A legitimate agency connection exists where profitable banks (principal) hire another entity(agent) under a legitimate agency arrangement. The hired entity assists in the delivery of a particular range of financial services to clients of a licensed banking institution (Nyambane, 2023).

In developing nations with increasing levels of technology, agency banking has emerged as a significant means of expanding access to banking services. Agency banking can be offered through already-existing companies, like kiosks or tiny stores, which lowers the expenses related to opening new bank branches. Commercial banks use money transfer technologies to facilitate agency banking through cash deposits, cash withdrawals, and short-term loans (Efemuaye, 2022). Cash deposit is an amount that is deposited into a business or individual bank account, be it a money market account, or savings account (Mwau, 2020). Cash can be in terms of a specified certain currency. Financial transfers can also be included in cash deposits. Through already existing local retail stores, technology allows banks and their customers to engage remotely in a trustworthy manner. Bank cards with the necessary biometric or pin-based security features are issued to customers, and the neighborhood store. These cards can be equipped with a bank-managed the point of sales system that is connected to it over phone lines, online, or satellite (Gilbert, 2020).

The amount of equipment required can be further decreased by using mobile phones as a POS device at the store and keeping online business cards for customers. Bank directly issues cards that can be used to deposit money to an agent. To finance the deposit, the bank automatically deducts the appropriate amount from the banking agent's bank account (Dotun, 2022). The POS device then prints a paper receipt for the customer. As payment for the amount deducted from its bank account, the agent retains the cash. Fess and commission, and the amount of deposits received are part of the cash deposits. Customers in remote locations have easier access to financial services because of banking agency (Bello, 2022). They don't have to drive far to a regular bank office to deposit or withdraw cash because they can do it quickly through agents. Because agency banking agents can open their doors practically anywhere, financial services are accessible to clients who live in rural places. This increases the degree of financial inclusion in underserved communities by providing options to those who would not otherwise be able to use the official financial system. Cash withdrawals out of a bank account, or out of a checking account, describes the removal of funds in the form of cash from a bank account (Peter, 2023). Certain withdrawals, like pulling money out of a customer's bank account, are unconditional, but certain withdrawals, like certain retirement funds, have restrictions on when money can be taken out (Muthoka, 2018). In Agency banking, if a client requests a cash withdrawal, the agent does the opposite (Saviour, 2022). The customer receives cash from the till in exchange for a corresponding increase in their bank account. Naturally, to balance the till, the store manager was eventually needed to visit the bank. In exchange, the agency manager receives a fee based on the volume of transactions (Sadiku, 2019).

Commercial banks make it easy for customers to withdraw money from their accounts without the need to travel to the banking hall Customer transactions are recorded just as they are with current payment merchants given the right technology (Jote, 2023). A profitable bank can lower bank service distribution costs without sacrificing the ability to properly manage banking risks Customers can use Mastercard and debit cards to transact (Nyambane, 2023). To reach the unbanked rural population in Kenya, agency banking was introduced in 2010. The moves by major banks such as Equity Bank has raised the market value of the banks listed on the Nairobi Securities Exchange in Kenya (Mwau, 2020). The family unit as directed by the financial sector deepening Kenya [FSD-K] together with CBK, about 41.3% of Kenyans were unable to access financial services. About 80% of this population was found in rustic zones (Efemuaye, 2022). Agency banking led to a reduction in the cost of providing financial services (Dotun, 2022). Agency banking creates opportunities for banks to increase their market value through promotion of access to formal finance and to the unbanked people in rural areas Commercial banks' agency banking in Kenya has really gained momentum in the banking sector. In June 2017, 18 commercial banks had contracted 64,345 active agents. Microfinance banks had 1,974 active agents, in 17 commercial banks (Peter, 2023).

As a strategy to provide services closer to their consumers and at lower costs, commercial banks have continued to grow their agent bank presence (Mwau, 2020). The closure of 228 microfinance agents between June 2018 and June 2019 resulted from an inability to organize financial resources and the migration of businesses, resulting in a decline in the number of microfinance agents (Sadiku, 2019). The number of banking transactions conducted through

agents climbed from 62.6 million in the previous fiscal year to 80.6 million in the current fiscal year. Banking transactions conducted through agents climbed from Kshs 517.4 billion in June 2017 to Kshs 620.6 billion in June 2018 (Muthoka, 2018). The rise in transaction volume and value is linked to a 10% increase in banking agents as well as greater client awareness of agent banking (Efemuaye, 2022). The Prudential Guidelines on agent banking were established by the Central Bank of Kenya under section 33(4) (Gilbert, 2020).

Regulations allowing banks to sell services through third-party agents regulated by the Central Bank of Kenya (CBK) were released in February 2011. In December 2021, the liquidity ratio was higher at 56.2% than it was in December 2020, when it was 54.5 percent. In December 2021, the percentage of non-performing loans decreased from 14.5 percent to 14.1 percent (Bizimana, 2018). The country's recovery from the COVID-19 epidemic and bank recovery efforts were the primary causes of the marginal decline (Kato, 2023). The increase in loans and advances helped to fuel the 11.4 percent growth in total net assets, which increased from Ksh. 5.4 trillion in December 2020 to Ksh. 6.0 trillion in December 2021. Between 2020 and 2021, customer deposits climbed by 11.0 percent to Ksh. 4.5 trillion (Kingsley, 2019).

Deposit mobilization via mobile phone platforms and banking agency was the cause of the increase in deposits. The pre-tax earnings of the industry increased by 75.8% from Ksh. 112.1 billion at the end of 2020 to Ksh. 197.0 billion in December 2021. The growth of commissions, foreign currency gains, and the credit portfolio all contributed significantly to the expansion (Peter, 2023). Gross loans saw an 8.3% rise from December 2020 on Ksh. 3,006.1 trillion to Ksh. 3,255.4 trillion by the end of December 2021. The rise in loan volume is ascribed to a rise in the loan demand by the different economic sectors. The amount of banking transactions completed in Kenya by bank agents reached around 1.83 trillion Kenyan shillings (KSh), or about 13 billion US dollars, in 2022. The CBK implemented the system in 2010, enabling commercial banks to hire outside companies to provide financial services. The proportion of Kenyans holding formal bank accounts has increased to almost 83% (Kato, 2023).

Statement of the problem

Market value assesses the worth of commercial bank's shares in the securities exchange market (Bello, 2022). Commercial banks' market value allows them to lend money to businesses as well as people (Nyambane, 2023). Commercial banks that have high market value can advance financial inclusion and penetration among their customers, individuals, and enterprises nationwide. However, there has been a sharp decline in the market value of commercial banks in Kenya (Peter, 2023). The decline is primarily because of an 83.5% increase in gross non-performing loans, which increased from Kshs 67.9 billion in quarter three of 2022 to Kshs 124.5 billion in quarter three of 2023. This increase was greater than the 27.3% increase in gross loans, which increased from Kshs 716.6 billion to Kshs 912.4 billion in quarter three of 2022. The Earnings per share ratio for commercial banks dropped from 17.8% in quarter three of 2022 to 16.1% in quarter three of 2023. Peter (2023) notes that a decline in the market value of commercial banks may be indicated by a decline in their earnings per share. The banking industry may suffer from the decline in the market value of commercial banks, which could result in job losses and a reduction in the profitability of the Nairobi Securities Exchange. This

has led to uncertainty in future dividend payments to shareholders by commercial banks. Pre-tax profits fell from KES 187 billion in September 2022 to KES 177.8 billion in September 2023 (Kato, 2023). The rise in costs relative to revenues led to a decline in profitability. (Saviour, 2022). The anticipated credit risk might continue to be high due to a challenging operating environment brought on by high inflationary pressures and the ongoing depreciation of the Kenyan shilling. Yaseen (2023) postulates this might affect the market value of commercial banks listed on the Nairobi Securities Exchange. If this problem is not solved commercial banks, bank clients, CBK, NSE and the whole economy will suffer. Most of the evaluated research studies have focused on the impact of agency banking on financial inclusion and bank performance rather than market value. The market value of commercial banks listed on Kenya's NSE has not received much attention in research. The study will look at how agency banking affects the market value of commercial banks listed on Kenya's Nairobi Securities Exchange to fill this research void.

Objective of the Study

The purpose of the study was to determine the effect of cash deposits on market value of commercial banks listed in NSE in Kenya

Justification of the Study

This project added to the corpus of knowledge already in existence within the academic community. Current and upcoming academics now have researchable topics and study titles. This study provides commercial banks with insights into how to enhance financial inclusion and deepening in underserved areas of Kenya. This project was intended to be used by the NSE and Kenyan central bank to evaluate the extent to which agency banking had raised the market value of commercial banks.

The study gave Kenyan central bank the additional information to incorporate into the laws controlling the licensing and supervision of the country's commercial banks. The goal of the new regime is to increase revenue collection from commercial banks by imposing taxes and regulating interest rates. Accordingly, the government can develop taxation and interest rate capping policies that support the realization of Basel III banking regulations. This study provides stakeholders with information on how financial inclusion and financial deepening can be achieved through agency banking. The study sheds light on how management of commercial banks could use agency banking services to raise the industry's market value. Commercial banks learned from the study how agency banking affects their market value

Furthermore, the project furnished commercial banks with pertinent data to facilitate the formulation of appropriate policies and strategies that optimize Kenya's feasible agency banking opportunities. The information obtained was to encourage financial institutions to employ agents in their banking services to reduce expenses and enhance financial inclusion, reach, and depth. The project aims to demonstrate how agent banking has facilitated the expansion of financial inclusion by opening doors that otherwise would not have been possible. The public was informed by the research project about the critical role agency banking has played in increasing the uptake of banking services in underbanked areas.

Theoretical Review- Cash Conversion Cycle Theory

This theory was postulated by Gitman in 1974 to manage balance sheet items that are either in cash or may be swiftly converted into cash. According to the theory, a short cash conversion cycle boosts a company's worth, earnings potential, and liquidity while all other parameters remain constant. Extended cash conversion cycle diminishes the company's potential for profit and devalues it (Ruguru, 2023). The cash conversion cycle is a metric that indicates how long it takes a business to turn its investments into cash and other operating revenues, expressed in days. This research study was informed by the theory since banks agent's cash float and amount of cash deposits received were included in the computation of CCC for commercial banks (Karim, 2024).

Bank agent managers can increase market value by processing deposit receipts faster, and reducing the time taken to serve cash deposit customers. Commercial banks need to ascertain how much cash is available for usage (Mustafa, 2020). The theory supports the independent variables cash deposits (Jote, 2023). Commercial banks must ascertain how cash deposits are being made by bank customers through the bank's agents (Kato, 2023). Using this indicator, the banks were able to determine financial inclusivity in different parts of the country (Bello, 2022). This provides useful information about how the bank can reach out to underserved rural areas. This theory helps commercial bank agents to assess the potential risks like loss of cash (Deyshappriya, 2020).

Management of cash impacts on commercial banks cash flow (Bello, 2022). Assessing idle cash helps commercial banks to determine how much deposits they expect from their customers through the bank agents (Efemuaye, 2022). However, a reduction in the cash flow cycle indicates that the commercial bank did not receive deposits as expected. The bank is an establishment where clients keep their accounts and is the ultimate supplier of financial services. Like how a branch-based teller would accept deposits; retail agents engage directly with customers and handle cash-in. A retail agent could be almost any establishment that accepts cash and is close to clients. According to the theory banks offering agency banking broadened their distribution channels and improve the financial access of their clientele. Hence, CCC helps the commercial banks determine cash deposits held by the bank at the end of the period (Bizimana, 2018).

The limitations of this theory are that it fails to address the issues relating to accuracy of cash receipts, the inability to register cash receipts, or the withholding or postponement of recording cash receipts which are common concerns connected to cash embezzlement, and fraud in the cash cycle (Bizimana, 2018). The theory places too much emphasis on using liquidity ratios to assess a company's liquidity condition. Theories based on previous data could not be trustworthy when the organization wishes to use historical data to inform its operational planning for the future. When ratios are calculated using erroneous data, false conclusions may be drawn. The theory may not be applicable to all commercial banks to forecast future cash deposits due to variations in the cash and bank balances, capital base held by various commercial banks and that commercial banks have different sizes (Muthoka, 2018).

Empirical Review

Banke (2022) investigated deposit mobilization and bank profitability in Ethiopia using data from profitable Ethiopian banks. The study employed quantitative methodology. The target population was 14 profitable banks. Secondary data was gathered from the accounting records of commercial banks using a secondary data gathering sheet. The market value of Ethiopia's commercial banks was shown to be favorably and considerably impacted by a few factors, including the growth of the population, price increases, and loan-to-deposit ratios. Nevertheless, the study's target demographic was different from the one used in this investigation. The study used different methodology than what the current study will use. Hence, the two studies conclusions may differ.

Ringo (2022) researched the effects of deposits through agency banking on profitability of the national microfinance bank in Moshi municipality in Tanzania. The study employed mixed research approach. Data was gathered using a contemporaneous study design. Secondary data was obtained using an interview guide. Descriptive statistics were used. Analysis of variance was conducted. The results showed that deposits had a significant impact on profitability of national microfinance bank in Moshi municipality in Tanzania. However, the methodology that was used in the study was different from the methodology that the current study employed. Further, the study was carried in a different geographical location. The study research tool of analysis was different from what the current study will use. Hence, the results of the two studies might be different.

Kipngetich (2020) investigated deposit mobilization and agency banking at Kenyan commercial banks operating in Nairobi City County. The study used descriptive research design. Four branch managers, eight agency banking officers, and 140 bank agents made up the study's target demographic. For the study, a sample of sixty respondents was chosen from the general community. A questionnaire that was semi- structured was used to gather primary data. The data was analyzed using both descriptive and inferential statistics. Frequency tables and charts were used to display the examined data. According to the study, deposit mobilization and agent-performed deposit transactions were significantly correlated. The approach that was used, however, differed from the one that would be used in this study. The study population was 140 respondents while the current stud will use 11 commercial banks. The study used questionnaire while the current study will use secondary data collection sheet. As a result, the two research' conclusions may be different.

Conceptual Framework

The conceptual framework demonstrated how the researcher represented the connections between the variables being studied. Cash deposits, cash withdrawals, short-term loans, and operating expenses were all included in the analysis as predictor factors. The market value was the dependent variable. The subconstructs that operationalized the predictor variable were fees and commission, agency cash float, transaction expenses, interest charges, mobile loans, loan interest, personnel costs, and utility costs. The price-earnings ratio was used to operationalize the dependent variable.

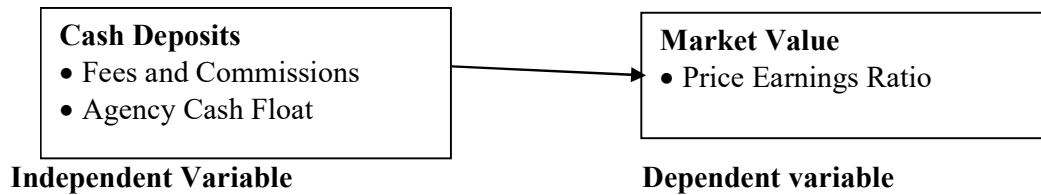


Figure 1 Conceptual Framework

RESEARCH METHODOLOGY

Research Design

Efemuaye (2022), postulates that a research design is a method for connecting theoretical research concerns to pertinent and feasible practical studies. The research study employed a descriptive research design. The study methodically explained the target population and phenomenon under examination because of this design. It was appropriate to choose a descriptive research strategy since it allowed the researcher to collect the information required to substantiate the hypothesis.

Target Population

The target population is the group of people the researcher wants to study and draw conclusions from (Kato, 2023). According to Nyambane (2023), the accessible population is the subset of the target population that indicates the proportion of the general population to which the researcher had reasonable access. In this case, the accessible population consisted of 11 Kenyan commercial banks that were listed on the NSE by December 2025. With the approval of the manager in charge of listing, the list of the accessible population was extracted from the NSE Data Base file, 2025.

Sampling Frame

The sampling frame is a list of every unit of observation of the entire population from which a sample can be taken. The study's sampling frame comprised a list of 11 commercial banks listed at NSE in Kenya. The 11 commercial banks were drawn from the NSE database file, (2025). The sampling frame was displayed in Appendix IV.

Census Survey Technique

Census surveys are a method of gathering data from every segment of the target population. The researcher used census survey methodology (Yaseen, 2023). A census survey was conducted among all the 11 commercial banks listed at NSE in Kenya. Comprehensive and detailed information about the phenomenon under inquiry was provided by the census survey. A census survey was suitable since the unit of observation was too small for the researcher to select a representative sample. The census survey technique was employed in this study because it yielded more accurate and trustworthy data. To make sure that the respondents were properly informed about the breadth and depth of the census survey, the researcher conducted a census public relation. This made the informants acquainted with the kind of information that

was sought by the study. A phone call was made in advance to the bank managers to publicize the census survey. The census survey PR phone call gave the respondents enough time to gather necessary information before the actual data collection date.

Data Collection Instrument

A data collection instrument is a device used to gather information pertinent to the research topic (Bizimana, 2018). Data was being gathered from the commercial banks' financial statements using a secondary data collecting sheet. Data was collected over a five-year period, from 2021 to 2025. The study calculated the market value of commercial banks over a five-year period. Panel data was collected from the 11 commercial banks, and secondary data on cash deposits, cash withdrawals, short-term loans, and commercial bank operating costs were obtained from the financial statements of the sample units. The statistical analysis of data with numerous observations on each sampling frame is referred to as panel data analysis. Since the panel data showed less inter-variable collinearity than the time series data, it was used. The researcher employed a regression model to complete the analysis after using panel data to investigate intricate problems pertaining to the sampling units.

Data Collection Procedure

The researcher obtained an introduction letter from the CES department at Jomo Kenyatta University of Agriculture for the purpose of gathering data. The researcher then asked NACOSTI for authorization to collect data from Kenya's ten commercial banks that are listed on the NSE. The researcher made appointments with the bank managers of various commercial banks to collect data. To acquire the commercial bank's financial statements for the study, the researcher properly requested permission. As the research tool, a secondary data collection sheet was employed.

Data Processing and Analysis

Data processing is a set of procedures used to change, examine, and arrange data into a meaningful format. The raw data was transformed into pertinent representations using a variety of steps and techniques.

Data preparation is the process of structuring raw data to extract relevant information. Editing, coding, classification, and tabulation were the steps that the researcher used in the preparation of data (Karangwa, 2018). The gathered data was examined and analyzed for this research study to determine its coherence, structure, and meaningful configuration. Based on the developed problem and research plan, the researcher categorized and arranged the data that was gathered. To make data entry easier, the data was coded, validated, and referenced.

The science of gathering, examining, and displaying vast volumes of data to identify underlying patterns and trends is known as statistical analysis. The statistical program that was used for analysis in the study was the Statistical Package of Social Sciences. SPSS Version 20 was used to input the acquired data into the computer system for statistical analysis. Descriptive statistics, frequencies, and percentages from the real secondary data collection sheets were

obtained by statistical analysis. The researcher created numerous types of tabulated reports using this software.

Model specification is the process of figuring out which independent variable to put in the linear regression equation and which to leave out. The researcher employed multivariate linear regression modeling to quantitatively describe the relationship between independent and dependent variables. The researcher used the following kind of panel data multiple linear regression model.

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \varepsilon_{it} \dots\dots\dots \text{Equation 1}$$

Data presentation is the process of employing graphical forms to show the relationship between the independent and dependent variables (Muthoka, 2018). Tables were used in this study to display the analysis results.

Diagnostic Tests

To find out if the requirements of the linear regression model are met, diagnostic tests were carried out. A linear regression model was predicated on the study variables having a normal distribution, a linear relationship, the absence of multicollinearity, autocorrelation, and homoscedasticity. The study employed various tests, including the linearity, normality, heteroscedasticity, multicollinearity, and auto collinearity tests.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Analysis

The study results were based on the basis of mean, standard deviation, maximum and minimum of the values obtained from analysis of the study data. The mean was used to show the central value of the study variable while the standard deviation provided the variability or spread of the study data from the center value. The maximum and minimum were used to give the highest and lowest values respectively. The variables for the study were cash deposits and market value. The data used in this study consisted of yearly observations for historical data from the listed commercial banks between years 2021 and 2025.

Table 1: Descriptive Analysis of Cash Deposits and Market Value

Parameters	Cash Deposit ('00000')	Market Value (%)
N	55	55
Min	14,752,212	6.0
Max	19,402,845	6.5
Mean	17,024,815	6.3
Std. Dev.	2,054,900	0.18

Table 1 above results of cash deposits showed that the minimum cash deposit amount was KShs. 14.8 Trillion and the maximum amount was KShs. 19.4 Trillion. The mean value for cash deposits was KShs. 17.0Trillion with a deviation of KShs. 2.1Trillion. The standard deviation of Ksh2.1 showed moderate variability. This suggested that while deposits fluctuated, they remained fairly stable around the mean. The minimum and maximum values of Ksh14.75 Trillion and Ksh19.4 Trillion respectively indicated a reasonable spread, implying consistent

deposit growth without extreme volatility. Higher deposit levels for banks indicate better cash deposit positions. The steady deposit range at the industry level supports agency banking. The results of market value showed a mean of 6.3% with a standard deviation of 0.18. The very low standard deviation of 0.18 highlighted minimal variation, suggesting that market values were highly consistent over time. The narrow range between the minimum (6.0%) and maximum (6.5%) further reinforced this stability. This implied that the market value of the banks remains steady over the study period. Low dispersion suggested a stable market value among listed commercial banks.

Trend Analysis Results

Trend analysis was carried out to describe the patterns in the research data. This allowed the researcher to comprehend how the phenomenon was changing based on historical trends. The researcher used the Mann-Kendall test to assess whether the data set was increasing or declining over time. The results were presented as follows.

The cash deposits observed values fluctuated around the model's predictions, with occasional deviations, suggesting periods where actual deposits were higher or lower than expected. Notable peaks or dips could correspond to market conditions affecting cash inflows. The overall consistency between observed data and the model indicated that the model was relatively accurate in capturing cash deposit trends, though small deviations highlight room for modifications. Hence, cash deposits had generally increased/decreased over the period, aligning closely with the model's forecasts. This suggested steady growth and predictable behavior in cash deposits during this timeframe.

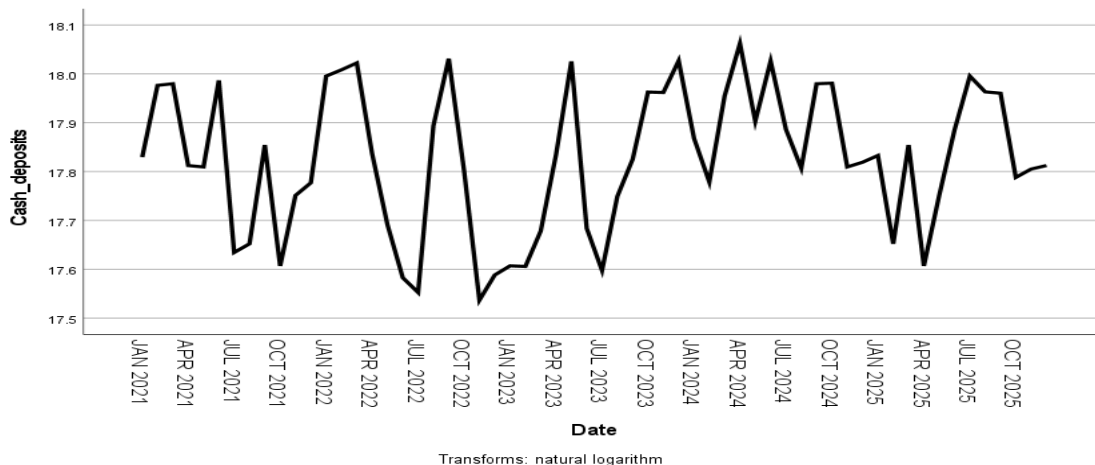


Figure 1: Cash Deposits Results

Market Value Results

The findings were that market value appeared to have increased/decreased over time. This was depicted evidenced by the log-transformed market values. The brief decreases in the values depicted the long-term rising tendency, which suggested slight drops in market value of commercial banks listed in Nairobi securities exchange. Larger multiplicative increases in the actual market value was represented by modest vertical rises. As a result, the slight variations in the graph line signified a considerable increase in market value. With a few short-term

oscillations, the graph displayed a long-term exponential increase in market value. The steady growth pattern was highlighted by the use of a log scale, and the most recent period indicated signals of increase in market value of commercial banks listed in Nairobi Securities Exchange.

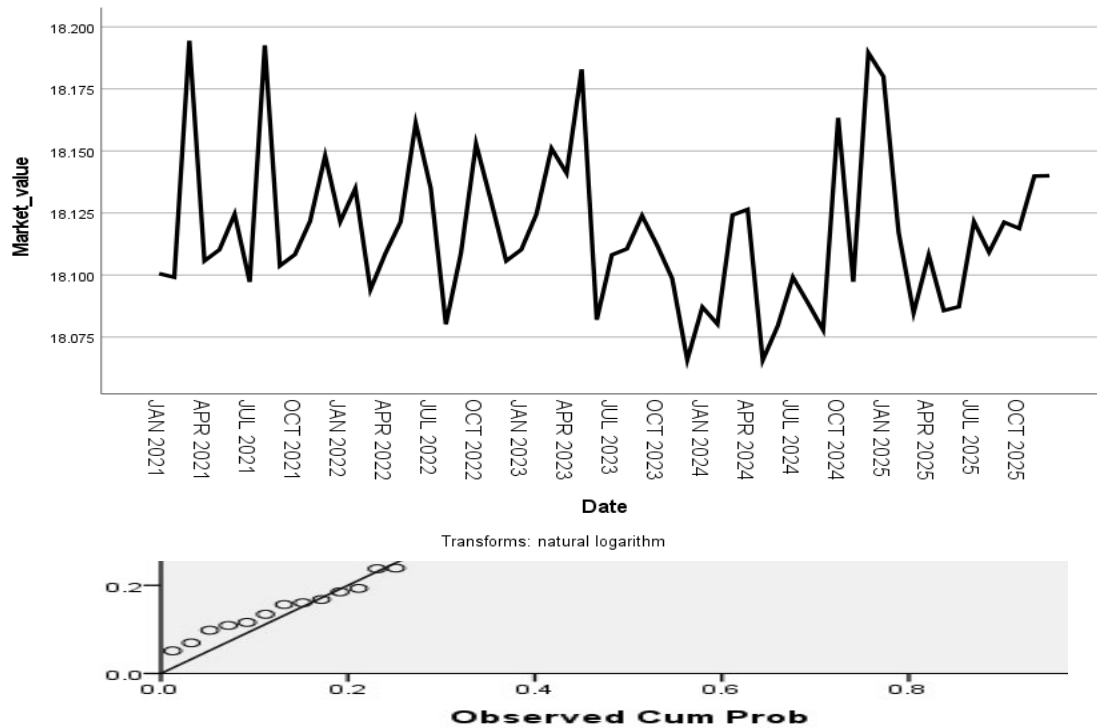


Figure 2- Market Value Results

Diagnostic Tests Results

The purpose of the diagnostic tests was to determine whether the data set was appropriate for regression analysis. The detailed diagnostic tests done in this study included normality test, heteroscedasticity test, multicollinearity test, linearity and autocorrelation.

Normality Test Results

Normality test was done to establish whether the studied data was normally distributed. The study employed Kolmogorov-Smirnov test to carry out normality test. This was done using the normal PP plot graph. The test's findings showed that most of the data values observed were within the typical PP line. According to the results, the study's data was normally distributed. The findings were displayed in Figure 4.1.

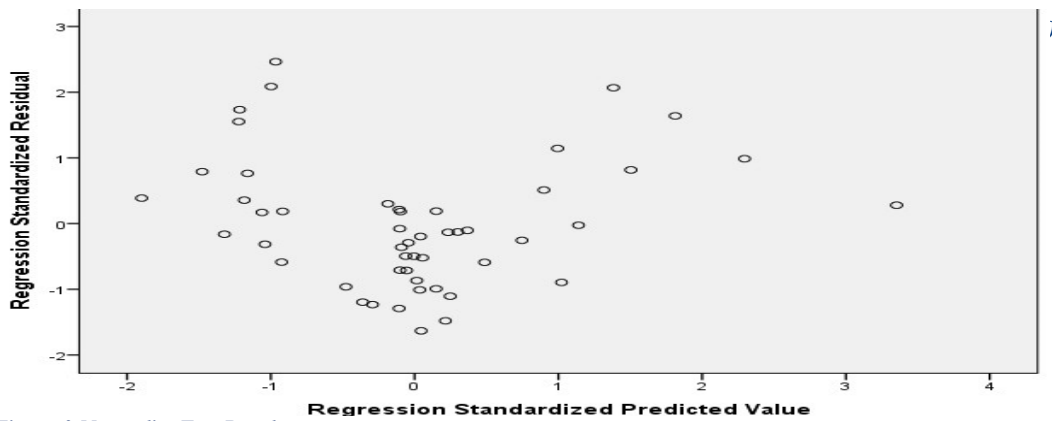


Figure 3 Normality Test Results

Heteroscedasticity Test Results

To assess the consistency of the error term across observations, the heteroscedasticity test was used. The study employed Bartlett's test to determine whether sample variances were equal. Heteroscedasticity was present if the points are dispersed in a fan or cone shape. This showed that the variance increased as the expected values rise. In contrast, a random distribution of points indicated that there was no heteroscedasticity. The results revealed a wide spread of the of the points in the plot. This indicated that heteroscedasticity was not present in the data used in the analysis.

Figure 4 Heteroscedasticity Test Results

Autocorrelation Test Results

Autocorrelation test was performed to see if the residuals in the regression model had flaws associated with each other over time. The Durbin Watson test was utilized. Durbin-Watson statistic ranges from 0 to 4. A value close to 2 suggested no autocorrelation. The findings revealed a value of Durbin Watson of 1.841. This indicated that no autocorrelation was present in the residuals in the regression model. The outcome was shown in Table 4.8.

Table 4.2 Durbin-Watson Test Results

Model	Durbin-Watson Statistic
1	1.841

Linearity Test Results

A linearity test was conducted to see if a straight line could accurately depict the relationship between the independent and dependent variables in the regression model. This was examined using Karl Pearson's correlation coefficient test. The findings show that cash deposits and market value had a 94% positive association, as shown by the correlation coefficient of 0.94. Cash deposits and market value were shown to be linearly related. Because the Prob>chi2 value (p=0.018) was higher than 0.05, the null hypothesis was rejected. Cash withdrawal and Market value were shown to be negatively connected, with r= -.719 indicating an inverse connection. The null hypothesis was rejected since the Prob>chi2 value (p=0.171) was greater than 0.05.

The correlation coefficient for short-term loans was $r = 0.814$, indicating 81.4% relationship between the two variables. A linear link between short-term loans and market value was discovered. Given that the Prob>chi2 value ($p=0.094$) was greater than 0.05, the null hypothesis was rejected. The correlation between operating cost and market value was -0.64. This implied that there was negative association between the two variables.

Table 3 Linearity Test Results

Variables		Market Value	Relationship
Cash Deposit	Pearson Correlation	.94	Linear
	Sig. (2-tailed)	<.018	
	N	55	

Inferential Analysis

Correlation Analysis Results

Correlation analysis was carried out to determine whether the independent and dependent variable were associated with each other. The Karl Persons coefficient of correlation was conducted. The correlation coefficients were cash deposits with 0.94, cash withdrawals with -0.719, short-term loans with 0.814 and operating costs with -0.64. This revealed that there was an association between agency banking services and market value of commercial bank listed on the NSE in Kenya. However, the relationship between cash withdrawals and market value was negative. Additionally, there was negative association between operating costs and market value of commercial banks listed at NSE in Kenya. This indicated that increase in cash withdrawals and operating costs reduce market value of commercial banks listed at NSE in Kenya.

Table 4 Correlation Analysis Results

Variables		Market Value	Relationship
Cash Deposits	Pearson Correlation	.94	Linear
	Sig. (2-tailed)	<.018	
	N	55	

Regression Analysis Results

The model of regression was used to evaluate the effect of agency banking services on the market value of commercial banks listed on the NSE. The market value of commercial banks listed on the NSE was the dependent variable, while the independent variable was agency banking services. The magnitude of the multiple regressions in the study was assessed using SPSS V 27.0.

The coefficient of determination was the proportion of the dependent variable's variance that could be explained by the four independent variables. The effect of study variables were investigated using the following analytical model.

$$Y_{it} = \beta_0 + \beta_1 X_{it, 1} + \beta_2 X_{it, 2} + \beta_3 X_{it, 3} + \beta_4 X_{it, 4} + \epsilon_{it} \dots \dots \dots \text{Equation 3.1}$$

Model Summary

The model summary demonstrated the R, R-Squared, and adjusted R-Squared statistic. The multiple correlation coefficients, or R statistic, indicated how well the independent variable predicted the dependent variable. R-squared statistic was used to measure the percentage of the

variance in the dependent variable that can be accounted for by the independent variables in the linear regression model. The findings indicated that the value of R was 0.9473, R Squared was 0.8974, and adjusted R Squared was 0.889. The R Squared value of 0.8974 implied that the input variable would contribute to 89.74% of the target variable. The independent variables would account for 89.74% of the target variable's prediction when the external effects are removed, according to the R-square of 0.8974. After correcting for inefficiencies, the independent variables would account for 88.9% of the market value, according to the Adjusted R-Squared value of 0.889. The input and target variables showed a substantial association.

Table 5: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.9473	0.8974	0.889	0.066

Regression Coefficients

Multiple regression coefficients were computed to respond to the suggested model concerning the connection between agency banking services and the market value of Kenyan commercial banks. The regression equation was displayed as follows.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ therefore becomes.

Y=0.856 +0.612X₁ -0.898X₂+0.755X₃ -0.734 X₄.....Equation 2

The regression coefficients table presented the effect of each independent variable on the dependent variable. The constant value of 0.856 indicated the predicted value of the dependent variable when all independent variables are equal to zero. The results from the regression analysis revealed that there were beta coefficients of .612, -.898, .755, and -.734 for cash deposits, cash withdrawals, short -term loans and operating costs respectively. The corresponding t and p values were as follows: cash deposits (t= 1.397; p= 0.048), cash withdrawals (t= -1.525; p=0.021), short-term loans (t= 1.528; p= 0.042) and operating costs (t= -1.542; p= 0.032) which are statistically significant, because p values were less than 0.05. From the results it was be concluded that a one unit increase of cash deposits and short-term loans leads to a unit increase in market value of commercial banks. An increase in cash withdrawal and operating costs reduced the market value of commercial banks in Kenya.

Table 6: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.856	0.578		1.481	0.021
Cash Deposits	.612	0.438	.174	1.397	0.048

Hypotheses Test Results

The null hypotheses of the study were tested using the chi-square test. Chi Square was used to determine whether there was a significant difference between the observed and anticipated

frequencies. The first null hypothesis stated that cash deposit had no significant effect on market value of commercial banks listed at NSE in Kenya. The Chi-square test showed a value of 32.348 with an asymptotic significance (p-value) of 0.034. This finding was statistically significant since the p-value of 0.034 was less than significance level of 0.05. Hence, the null hypothesis was rejected.

Table 7 Summary of Hypotheses Test Results

Hypothesis Statement	Value	df	Asymp. Sig. (2-sided)	Decision Rule
H₀₁ : Cash deposit has no significant effect on market value of commercial banks listed at NSE in Kenya	32.348(a)	4	0.034	Reject H ₀₁

Summary of the Findings of the Study

The purpose of this study was to determine the effect of agency banking services on the market value of Commercial Banks in Kenya. Secondary data from the commercial banks' financial records was extracted and a sample of eleven commercial banks in Kenya was adopted. The independent variables were cash deposits, cash withdrawals, short-term loans, and operational costs while the dependent variable was market value. Since the researcher was unable to obtain a representative sample from the limited population, the census survey was employed as the sampling technique. Descriptive statistics, panel multiple regression analysis, and correlation analysis were used to examine the gathered data. Numerous diagnostic tests were performed, including testing for autocorrelation, heteroscedasticity, multicollinearity, test of random effects, and normality. Hypotheses testing was conducted to accept or reject that hypotheses. The study considered the objectives of the study while summarizing the results.

Determining the effect of agency banking on the market value of commercial banks Kenya listed on the NSE was the first objective. To ascertain if the data was normally distributed, the study performed a normality test. Cash deposit data was dispersed normally. For cash deposits, Pearson's coefficient correlation result was positive. This suggested that market value and cash deposits were positively correlated. The results of the study showed that cash deposits increased the market value of Kenyan commercial banks. A regression analysis showed a correlation between rising market value and rising cash deposits. This implied that cash deposits and the market value of commercial banks listed at Nairobi securities exchange in Kenya were positively and strongly connected. Higher deposit levels for banks indicate better cash deposit positions. The steady deposit range at the industry level supports agency banking.

Conclusion of the Study

The study established that there was a positive correlation between cash deposits and market value for commercial banks listed in Nairobi securities exchange in Kenya. This is because the correlation coefficient was positive. The data set was found to be linearly related since the graph of the linearity test was a straight line sloping upwards. Therefore, the study concludes that increase in cash deposits increases market value to a significant extent. Additionally, the study concludes that data collected on fee and commission and agency float, which were the subconstructs of cash deposit supported the conclusion that cash deposits positively and

significantly effects market value of commercial banks listed at the Nairobi securities exchange.

Recommendations of the Study

The study concluded that cash deposits have a great effect on the market value of commercial banks listed at the Nairobi securities exchange in Kenya. This is because increase in fee commission leads to more deposits to be made in the commercial bank listed at the Nairobi securities exchange. Additionally, increase agency cash float means that more money is available for lending by the commercial banks. As a result, the study recommends that commercial banks should encourage their clients to make larger deposits into their accounts. This is because huge deposits lead to an increase in the market value of commercial banks listed at the Nairobi securities exchange.

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