FACTORS INFLUENCING THE USE OF AGENCY BANKING BY BANK CUSTOMERS IN MAKUENI SUB-COUNTY, KENYA

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DECLARATION

I understand that plagiarism is an offense and I therefore declare that this project report is my original work and has not been presented to any other institution of higher learning for any other award.

Signature …………………………… Date: ……………….

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This thesis has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I would like to dedicate this work to my daughters, namely, Cynthia, Grace, Abigail and Joan. It is also dedicated to Kennedy Songola and my other friends at Wote Technical Training Institute for their encouragement, inspiration and understanding during my studies.

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LIST OF ABBREVIATIONS AND ACRONYMS

AMFI:	Association of Microfinance Institutions
ATM:	Automatic Teller Machine
CBA:	Commercial Bank of Africa
CBK:	Central Bank of Kenya
DTM:	Deposit Taking Micro-finance Institutions
FSD:	Financial Sector Deepening
ICT:	Information and Communication Technology
IMF:	International Monetary Fund
KCB:	Kenya Commercial Bank
KPOSB:	Kenya Post Office Savings Bank
KWFT:	Kenya Women Finance Trust
LBG:	Lloyds Banking Group,
PIN:	Personal Identification Number
POS:	Point of Sale
SACCO:	Savings and Credit Cooperative Societies
SME:	Small and Medium Enterprises
SPSS:	Statistical Package for Social Scientists
WB:	World Bank

OPERATIONAL DEFINITION OF KEY TERMS

Bank:	A financial institution that accepts deposits and channels them to lending activities, offers checking account services; makes business, personal and mortgage loans; and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses.
Banking:	Refers to all the activities carried out by banks and other financial institutions involving money or any other financial instrument.
Agency banking:	Refers to where commercial banks are allowed by Central bank of Kenya to contract a third party retail networks as agents to carry out financial services provision on behalf of the bank.
Bank Agent:	Refers to someone providing banking services on behalf of commercial banks. In this study they formed the target population.
Banking product:	One of the various services offered by a bank to its customers.

ABSTRACT

There is adequate literature suggesting that agency banking is one of the essential services in the banking sector. Agency banking has become popular in bringing the banking services closer to the people particularly in the rural or remote and hard to reach areas. This study investigated the factors influencing the use of agency banking by the bank customers in Makueni Sub-Sub-County, Kenya. This study was guided by the following objectives; to determine the influence of agent characteristics, the banking products offered by bank agents, agent operating hours and the bank location on the use of agency banking by the bank customers in Makueni Sub-County. This study was also guided by two theories; the Diffusion of Innovation Theory and Innovation Theory. This study used descriptive survey research design and the target population was 276 bank customers in Makueni Sub-County. Systematic sampling techniques were used to generate the study sample. This study used questionnaires as the main method of data collection. The quantitative data was analyzed using descriptive statistics; mean mode, median, frequency and percentages as well as inferential statistics with the help of Statistical Package for Social Scientists (SPSS version 20) and then presented in tables. Qualitative data was analyzed thematically according to the study objectives. The used a regression model ($Y = C + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$) and it had four main findings which revealed that the use of agency banking had a constant of 0.160 while the four variables studied had beta values as follows: +0.123 (Agency characteristics), +0.301 (Banking products) +0.123 (Operating hours) and +0.037 (Location of the mainstream banks). Since all the beta values were positive, it was concluded that there was a high correlation between the banking products and use of agency banking. The study recommends that, commercial banks should do more advertising to sensitize the public on the types of the services available at their agents, they should diversify the products they offer to their customers at the agencies to include credit facilities if they want to increase the usage of agency banking services. The agents are encouraged to have high amount of float so that it is possible to carry out transactions involving large amounts of money so that customers are not forced to visit the bank branches in such situations. The banks should also develop and communicate the official operating days and time to enhance their service delivery and uniformity among similar banking agents.

CHAPTER ONE

1.0. INTRODUCTION

This section presents a brief discussion of the background of the study, statement of the problem, objectives of the study, research questions, research hypothesis, justification, limitations and the scope of the study.

1.1. Background of the Study

According to Macesich (2000) a commercial bank is an institution which deals with financial related transactions and that, it is also an intermediary that receives deposits and directs them into other activities such as lending. The lending may be done in two ways: indirectly through capital markets or directly through loaning. A commercial bank is also described as the link between the financial customers with capital deficits and those other customers with surpluses in capital. Because of the kind of impact the commercial banks have in the economy, they are highly controlled in a majority of countries globally.

According to Bolt (2012), majority of the commercial banks function as per the fractional reserve banking system which requires that they should keep some minimum reserve of the finances deposited by the customers and loan out the other for purposes of generating profit. Bolt (2012) also added that the commercial banks are usually subjected to the requirement of keeping a based on a set of international standards on capital which are referred to as the Basel Accord (Bolt, 2012). On the other hand, agency banking is described as the provision of financial services in places or other premises not within the usual branches of commercial banks. According to Modupe (2010, agency banking mostly utilizes retail outlets which are not commercial banks and they depend on technological devices such as Point-of-Sale (POS), the modern day mobile phones for purposes of real time processing of transactions (Modupe, 2010).

According to Agent Banking guidelines developed by the Central Bank of Kenya, "Agent" is defined as an individual or business unit which has entered into a contract with another institution and has been endorsed by the Central Bank to offer the services of the institution for the institution, usually a bank. Agency banking is then the provision of banking services by a third – party person to customers on behalf of a licensed, prudently regulated financial institution, such as a bank or any other deposit-taking institution. Agency banking was made legal following an amendment to the Banking Act 2010.

Globally, as discussed by Venter (2004), “banking service providers saw an opportunity in the non-banking rural population and proceeded to take advantage of this opening by coming up with agencies even at the grassroots level. This has provided the banking with an opportunity to develop new possibilities, and to provide fresher as well as more affordable share of services. The services offered by the agents of financial institutions led to the transformational process in agency banking to the SMEs through depositing and withdrawing of money and advancing loans to its customers. This has led to the either the growth or lack of growth of SMEs.”

Locally, according to the Central bank of Kenya, “Kenya’s financial inclusion or exclusion landscape has undergone considerable transformation since 2006. This is largely due to emerging policy strategies, reforms and initiatives by the government of Kenya and the financial sector players’ with regard to innovation. While the proportion of the financially excluded has been falling steadily from 39.3% in 2006 to 31.4% in 2009, the figure as at December 2013 still stood at 25.4%, providing tremendous opportunity for commercial banks.”

These are market segments of the Kenyan population that do not access financial services from formal, prudentially regulated institutions and financial services from any type of official financial services provider (Financial-Sector-Deepening-Kenya, 2014). The peoples’ lives in developing countries can be transformed by increasing their access to financial services. Nevertheless, there is still limited access to the financial services by a majority of the ordinary people in these countries. According to (Efam, 2008), it is estimated that whooping 2.7 billion of people in the developing countries completely do not utilize or lack access to financial services. In Africa, Latin America and Asia, it was estimated that over a billion people without bank accounts but have access to a mobile phone. It was further approximated that the number would hit 1.7 billion by 2012."

According to the guidelines on agency banking developed by the Central-Bank-of-Kenya (2010), the financial institutions are allowed to run agencies through third parties under very strict conditions. Elsewhere like in Brazil, the use of agency approach has been utilized with immense success; it is described as a phenomenon where bank accounts for millions of customers are operated by shopkeepers. The market position of Equity bank as well as its aspiration to increasingly and progressively serve more remote areas, has particularly made agency banking very attractive, (Central-Bank-of-Kenya, 2013).

For deeper understanding of agency banking, three parties to a transaction are involved: the bank, the operating the Point-of-Sale (POS) device and the customer. Before starting any transaction, each one of these parties should validate themselves, preferably with two security factors. Therefore, both the customer and the person authorized to operate the agency each usually has a personal card plus a secret Personal Identification Number (PIN). To keep away from deception at the POS terminals, the principal commercial bank may also provide a unique secret code to each of its clients. It is through this secret code that the bank identifies itself to its customers before any transaction can be executed at the POS (Ivatury, 2006).

According to Efam (2008) majority of the populations in Africa do not have access to the banking services and that only 20% of African families posses bank Accounts. For example, approximately 30% of households in Kenya had bank accounts in 2007; and that there were only 35 bank branches in Benin in 2006, with a population of 7 million. One of the factors which have been associated with the limited access to the financial services in Africa includes inadequate infrastructure, financial illiteracy, and physical isolation or inaccessibility. All these factors have culminated into exceptionally high cost of providing banking services hence the need for agency banking (Ndungu C. G., 2014).

In 2013 the CBK reported that, the financial sector of Kenya is relatively well developed compared to that of other countries in the continent with 43 commercial banks, 1 mortgage finance institution, 7 Microfinance Institutions which take deposits from clients, (DTMs), approximately 3,500 operational Savings and Credit Cooperatives (SACCOs), 1 postal savings bank; Kenya Post Office Savings Bank (KPOSB), 125 foreign exchange bureaus, a host of unlicensed lenders, and an Association of Microfinance Institutions (AMFI) with 56 members (Central-Bank-of-Kenya, 2013).

The financial sector in Kenya has continued to enjoy very stable levels of growth despite the prevailing credit crisis and global recession. In the period between 2006 and 2010, assets and profits continued. For a strong ad a well established financial sector, it is pertinent to facilitate financial access. Kenya has been taking part in series of financial access surveys such as the annual reports by the central bank of Kenya among the other commercial banks, just like a majority of the African countries. This is called Fin Access in Kenya and Fin Scope in other African countries. Fin-Access provides a regular picture of the financial access in country based on a nationwide survey.

The banks with branches in Makueni Sub-County include Kenya Commercial Bank, Co-operative Bank, Barclays bank, K-Rep bank, Equity bank, Post Bank, Rafiki bank and several Savings and Credit Cooperative societies (SACCOs) which include Masaku Teachers SACCO, Universal Traders SACCO and Vision SACCO. Also, there are other SACCOs for those operating Public Service Vehicles (PSV) which include MATCO and UMOWA SACCOs.

Other financial institutions in the Sub-County are the microfinance institutions which offer credit facilities to micro businesses and groups; Self-Help Groups (SHG) and Community Based Organizations (CBOs). These microfinance institutions include, Kenya Women Finance Trust (KWFT) and Faulu Kenya among others. Because of the existence of all these financial institutions, the commercial banks are facing stiff competition for customers. To counteract the competition, several commercial banks in Kenya are currently operating agency banking in the Sub-County. These are Equity Bank, Kenya Commercial Bank, Cooperative Bank and Post Bank.

According to Ndungu and Njeru (2014), some of the main factors which influence use of Agency Banking include customer service, convenience and quality of agents. This study had four independent factors namely, the agent characteristics, the banking products, the operating hours and the bank location. The dependent variable of this study were the use of agency banking which were measured through variables such as the number of clients served by the agency per day, frequency of service and types of services provided by the agency.

1.2. Statement of the Problem

According to Ndungu and Njeru (2014), there has been an expansion of various types of remote use of financial products and services in the last decade, that is, financial access beyond the branch levels. The above phenomenon has been enabled by a number of different pathways which include Automatic Teller Machines (ATMs), Point-of-Sale (POS) devises and mobile phones. Most importantly, the branchless outlets have significantly contributed to the massive expansion of financial inclusion in numerous countries by reaching many people more than the traditional, branch-based system would have managed (Ndungu & Njeru, 2014).

Despite the many benefits which are believed to be brought by agency banking services, this type of banking has not become widespread and fully utilized in most of the counties, especially in the rural areas in Kenya (Ndungu, 2009). According to a report compiled by CBK in 2013 on the usage of agency banking in Kenya, the amount of transactions recorded in the already set up outlets is small (Central Bank of Kenya, 2013). Customers travel long distances and even gather outside a bank waiting for it to open either to deposit or withdraw cash when an agent of the same bank located nearby, has been open for hours. This shows that some bank customers are not using the services provided by the agency banking of commercial banks in the country (Ndungu, 2009).

There was no previous study that had been conducted in Makueni Sub-County on the use of agency banking, therefore, this study sought to fill in this gap by establishing the factors influencing the use of agency banking services by the bank customers in Makueni Sub-County.

1.3. Objectives of the Study

1.3.1. General Objective

The general objective was to find the factors influencing the use of agency banking by the bank customers of Makueni Sub-County

1.3.2. Specific Objectives

This study was guided by the following specific objectives:-

i. To determine the influence of agent characteristics on the use of agency banking by the bank customers in Makueni Sub-County.
ii. To determine the influence of banking products offered by bank agents on the use of agency banking by the bank customers in Makueni Sub-County.
iii. To establish the influence of agent operating hours on the use of agency banking by the bank customers in Makueni Sub-County.
iv. To determine the influence of the location of the mainstream banks on the use of agency banking by the bank customers in Makueni Sub-County.

1.4. Research Questions

This study was guided by the following research questions:-

i. What is the influence of agent characteristics on the use of agency banking by the bank customers in Makueni Sub-County?
ii. How do the banking products of bank agents influence the use of agency banking by the bank customers in Makueni Sub-County?
iii. How do the operating hours of the agents influence the use of agency banking services by the bank customers in Makueni Sub-County?
iv. What is the influence of the location of the bank on the use of agency banking by the bank customers in Makueni Sub-County?

1.5. Research Hypothesis

This study tested the following research hypothesis:-

i. (H_{01}): There is no significant relationship between the agent characteristics and the use of agency banking.
ii. (H_{02}): There is no significant relationship between the banking products and the use of agency banking.
iii. (H_{03}): There is no significant relationship between the agency bank operating hours and the use of agency banking.
iv. (H_{04}): There is no significant relationship between banks location and the use of agency banking.

1.6. Justification of the Study

This study was important because its findings are of great use by several stakeholders in the finance sector. On the one hand, the findings can help the Government in formulating the banking policies concerning agency banking in rural areas. On the other hand, it can help the bank managers in understanding the factors influencing the use of agency banking hence addressing the issues geared towards improving the use of agency banking. This can improve the profitability of the banks. Moreover, the study also enlightens the public on agency banking and therefore encourages them to use the agency banking outlets hence increasing their savings.

1.7. Limitations of the Study

The anticipated limitations of the study included cost, time and access to the right information. Owing to the fact that the number of study participants was high, the researcher needed the cooperation of the bank managers and their staff in administering the questionnaires. The cost of data collection was beyond what the researcher intended to incur. This study was dealing with financial data which most people were not comfortable to discuss with external parties. Therefore, there was need to use the staff in the bank in administering the questionnaires.

1.8. Scope of the Study

This study was conducted in Makueni Sub-County. The data used was gathered through administration of questionnaires on the customers of the banks in Wote town in Makueni Sub-County. An estimated number of 276 customers from Co-operative Bank, KCB and Equity, were identified within Wote town. The method of selection is discussed in chapter three. The results of this study are therefore generalizable to all the bank customers in Makueni Sub-County.

CHAPTER TWO

2.0. LITERATURE REVIEW

This chapter presents the concept of agency banking, the existing literature and theories concerning agency banking, critique of the studies, summary of literature review research gaps and conceptual framework.

2.1. Theoretical Review

Under this, the researcher has discussed the theories under agency banking which guided this study. The study was based on two theories namely; agency theory and innovation theory.

2.1.1. Innovation Theory

This study was guided by the ideas and facts of the innovation theory of a trade cycle proposed by Schumpeter (1911). Schumpeter regarded innovations as the initial cause of trade cycles. According to him, there should be no confusion between innovation and inventions. According to him, in ordinary speech, inventions are discoveries of scientific novelties while innovation is the application of such inventions in the actual production of goods and services. He adds that inventions are not subjected to cyclical fluctuations but innovations are. In economics therefore, innovation is used to mean the commercial use of inventions such as new techniques of production, new methods of organization, novel products, among others.

According to Schumpeter, trade cycles are as a result of economic progress in a society which is capitalist in nature economically. The cyclical changes are inevitable in the economic process of industrial production. When there are internal changes taking place because of innovation, then the process of development starts. Schumpeter classified innovation into five categories; introduction of new type of goods, new methods of production, operating of new markets, discovering of new sources of raw materials and change in the organization of an industry, like the creation of a monopoly, trust, or cartel or breaking up of a monopoly, cartel, among others.

However, innovation does not happen unexpectedly. It is usually promoted or actively initiated by some agency in the system of the economy. According to Schumpeter, such an agent is an-entrepreneur and entrepreneurs are innovators. He adds that, and entrepreneur needs two things to carry out his innovative function; the technical knowledge to produce new products or new services and secondly, the power of disposal over the factors of production because the introduction of innovation presupposes the diversion of the means of production from the existing to new pathways. The monetary factor in the form of credit provides the necessary command over the productive factor. The entrepreneur secures funds for his project not from saving out of his own income but from the crediting bank system. Therefore, in this theory, money capital and bank credit play a significant role.

According to Schumpeter, there are several conditions for credit to be important and relevant to the innovator; if the innovation is concerned with the context of a progressing economy, and only if the innovator requires credit to carry out his innovative activity. In the absence of innovation, in a circular flow of money in the economy, where Say‘s Law of Market applies fully, no credit is required (Arthur, 2011). Similarly, agency banking is not an invention but an innovation. Agency relationship dates back to the origin of trade and it has been applied by majority of the commercial enterprises including commercial banks.

It is a technique which has been employed by businesses to increase access customers and to effectively penetrate into the market hence increasing its network. It is assumed that agency business increases the access to the services offered by the principal. Since they are anticipated to be less formal compared to the standard operations of a commercial bank, bank agencies are projected to be more customer friendly and more available for use by the customers hence increased performance of commercial banks. Therefore, this study sought to find out the impact of use of agency banking by the bank customers on the performance of the commercial banks in Makueni Sub-County.

2.1.2. Diffusion of Innovations Theory

Rogers (2003) was the formulator of the diffusion of innovations theory. The main reason of formulating the theory was to give an explanation of the adoption rates of different types of innovations. The theory suggested that new ideas have four main characteristics in their diffusion process. The theory states that there are channels through which innovations are communicated among constituents of a social system over time (Rogers, 2003). That is, there will be different adopter distributions every time there will be a new idea or innovation. Rogers added that, the adopter distributions will tend to follow an S-shaped curve over time.

The key role is played by the earlier adopters; their successful adoption story makes them act as the change agents to support the process of diffusion. The diffusion of innovations theory established five characteristics of innovation that influence the acceptance of new ideas and innovations (Rogers, 2003) like the complexity, relative advantage, trial-ability, observability and compatibility. Relative advantage is the extent to which an innovation is perceived as better than the idea it supersedes. Relative advantage has been calculated based on economic benefits, social prestige, status, convenience, and satisfaction. Complexity relates to the degree at which an innovation is alleged as not easy to comprehend and utilize. Perceived complexity has a negative influence on the adoption.

Compatibility implies the extent to which an innovation is alleged as being in line with the present values, past experiences, and needs of potential adopters. An initiative which is not compatible with the norms and values of a social system is not adopted as fast as an innovation which is compatible with the norms of a social system. Trial ability suggests the extent to which an innovation may be practiced on inadequate basis. A possibility to try a new innovation before adoption is likely to reduce the uncertainty and more likely to increase the likelihood of the adoption. The extent to which the outcomes of a novelty are visible and communicable to others is referred to as observability. When individuals find it more easy to see and discuss the results of a novelty, the more likely it is that they will adopt it (Omumi, 2010).

Similarly, because agency business is an emerging innovation in most parts of the nation, it has not diffused effectively in some of these parts of the nation especially in the remote and semi-urban areas. The factors highlighted above in the diffusion of innovation theory influence the adoption of agency banking. Makueni Sub-County has characteristics of a remote and semi-urban area and agency banking has not diffused effectively and therefore an understanding of the extent to which the use of agency banking has diffused and the challenges facing this process and how they can be reduced in the area of study, are needed.

2.2. Empirical Literature Review

This section presents literature about the four variables which were studied in this study and how they influence the uptake of agency banking. The variables discussed include the agent characteristics, banking products, bank agent operating hours and bank location.

2.2.1. Agent Characteristics and use of Agency Banking

According to a study that was carried out by Ndungu and Njeru (2014) the findings suggested that the characteristics of an agent can be measured through four parameters which include the amount of float, the agent's working experience in agency business, agent character and core business. Float is described as the amount of cash at hand as well as the balances at the bank which have been set aside by the agent for purposes of agent banking; customer or client deposits and withdrawals. According to Consultative-Group-to-Assist-the-Poor (2011), some of the major concerns among those in the business of agency included liquidity management, low remuneration and the unavailability of network.

The agency operates in a way such that, the deposits of the customer at the agent implies that the customer should give cash to the agent. The bank accounts the cash received by the agent by performing a debit on the account of the agent at bank and by performing a credit on the account of the customer at the bank (Ombutora, 2013).

A study done by Ombutora (2013) established that it is impossible for an agent to receive a deposit until he or she had adequate credit at the bank. At the same time, an agent withdrawal by a customer means that the cash is given to the customer by the agent and the cash is accounted for by the bank by debiting the bank account of the customer while the agent's account is credited at the bank. Therefore, an agent can only pay out a withdrawal only if they their till at the shop has cash. This means that the agent must have cash in both accounts; at the bank and in the till at the shop.

The cash availability both at hand and at the bank, is usually a major problem to the commercial banks because most of the agents are unable to ensure balance between the cash they hold or capital they have. In most cases, the lack of enough cash has affected the transactions of some retail chains which are large and which could also be very good for agency banking. One of the major reasons which has been given as having led to the some chains losing cash is the inability of the banks to provide reconciliation mechanism is (Li, 2001).

For some remote agents who have to travel to the commercial banks to reload their deposits when balances run low, their situation of float is even worse (Berry, 2014). As part of anti- money laundering initiative by CBK, the inconsistent nature of the finance services and daily cash limits are also considered. The bank agents are not allowed to transact above certain limits. When an agent hits this mark, then it means that he or she has to close for the day unless they apply for higher limits. In other countries such as Brazil, many agents have consistently complained about downtime, the principal bank freezing the POS once cash limit is reached and suspending deposits of cash at branch up until the POS is unfrozen (Consultative-Group-to-Assist-the-Poor, 2010).

The working experience for the agents is also a key parameter in evaluating the use of agency banking. The normal growth curve is expected to apply for agency businesses where they are expected to take time to establish themselves. Since the normal growth curve must apply, it suggests lower foot prints at the beginning of a new outlet and it keeps on growing until it reaches maturity only if the correct growth factors are nurtured. This also suggests a closure or dormancy of an agency if the right factors are not exhibited (Berry, 2014). Alfansi (2000) established that personal characteristics of the agents are crucial when it comes to operating the bank agency. When customers are satisfied with services, they increase their confidence in the agent and because of customer retention and growth it is anticipated that the agent grows the number of his or her customers attached to him or her. Therefore, the agent experiences an increase in his or her number of transaction which then translates to an increase in the commissions earned (Lozano, 2009).

One the major determinants of whether a customer will frequent a certain bank agency for services or not, is the way the agents handle the customers complaints (Ombutora, 2013). The agents must make sure that their customers are contended whenever they raise complaints. Some of these complaints will include incomplete withdrawal transactions which are incomplete and this may lead to debiting of customer accounts with cash which they did not receive, or system failure which may lead to hanging of an urgent deposit somewhere else other than the account of the beneficiary and sometimes when the agent enters the wrong the account number or bill account erroneously.

All these issues may suggest that the beneficiaries become stranded in one way or another; for instance, a son or daughter somewhere being sent home for non-remitted school fees, a commuter, a punitive disconnection of utility supply (Lozano, 2009). The ways in which these complaints or errors are addressed by the agent either positively or negatively impacts on the customer retention or loss permanently. Satisfied customers will most likely inform another about their experience but a dissatisfied customer will often share their condition with a crowd (Lozano, 2009).

2.2.2. Banking Products and use of Agency Banking

The regulations of agency endorsed in February 2011 have become an enabler of commercial banks in the provision of banking services through agents who are third-parties with the CBK's permission. The third-party agents can take the form of SMEs, telecommunication outlets, small shops and even retail chains among others (Lozano, 2009). Above all, one major characteristic of these agents is that they must be profit-making entities and they must have been doing the business for a period of not less than 18 months. They should also be able to afford finances for a float account. Cash deposits, payment of bills, cash withdrawals, transfers (including benefits and salary payment) among others, are some of the basic services which can be provided by these agents.

Access to banking services has been enhanced by the adoption of agency banking as reported by the CBK annual supervision report which was published in 2013. The guiding principles in realizing developments in the sector of banking are the medium-term objectives. They provide direction of reforms and development to the sector, that is, they act as a blueprint to the sector as suggested by the vision 2030 (Central-Bank-of-Kenya, 2013). Since 2011, there has been increased access and enhancement of the financial services which has been spurred by the accelerated innovation in the delivery of financial services and products throughout the nation (Lloyds-Banking-Group, 2011) and (Commercial-Bank-of-Africa, 2013). The reported developments have led to an efficient financial sector and the desire of fulfilling the goals of building an all-inclusive financial system.

The increased financial development and growth were associated with the efficient and cost-effective innovations in the sector of banking. This was particularly so as a result of adopting banking models which are branchless like the model of agency banking and the revolution of mobile money (Central-Bank-of-Kenya, 2013). The increased use of innovations like agency banking has allowed commercial banks to employ the services of agent outlets (third parties) to provide specified financial services on their behalf, a situation which has been associated with the increasing access to finance and financial services. Varied retail entities have been contracted by the commercial banks after launching the model of agency banking in May 2010 (World-Bank, 2007).

The bank agencies, which act as the third party agents to the commercial banks, in the provision of services such as cash-in-cash out transactions among other services in conformity with the laid down strategies include petrol stations, supermarkets, security companies, post offices, courier services among others. As at December

2011, there were only eight (8) commercial banks that had contracted 9748 active agents facilitating over 8M transactions which were valued at ksh. 43.6B. This number represented approximately three percent (3%) of the total deposit base in the industry of banking (Central-Bank-of-Kenya, 2013).

There is sufficient evidence suggesting that there has been a tremendous growth in agency banking which is being conducted by commercial banks. There were ten (10) commercial banks that had entered into a contract with 16,333 active agents which facilitated over 38M transactions valued at ksh.195.8B as at December 2012. The sector of finance has witnessed and recorded a remarkable expansion with majority of Kenyans being able to have access to finances whenever it is convenient to them. Use of agency banking has also cut down the cost of transactions and the time spent to access financial services especially for those living in the rural and remote parts of the country. Also, the number of banking transactions which have been carried out through banking agents has also increased from 9.7 Million registered in the third quarter ending March 2013 for the financial year 2012/2013 to 10.2 Million transactions recorded in the fourth quarter ending June 2013 of the financial year 2012/2013 (Central-Bank-of-Kenya, 2013).

There has also been an increase in the value of the banking transactions carried out through agents from ksh.53.3 Billion to ksh.60.4 Billion over the same period during the 2012/2013 financial year. The Central-Bank-of-Kenya (2013) has been championing for the increased role of agency banking in promoting financial initiatives and this has been demonstrated by the increased number and value of transactions recorded since the adoption of the model in 2012. Majority of the commercial institutions in the country, are continuously increasingly the deployment and utilization of payments using agents to improve the quality of their financial services and to increase augmentation (McCormick, 2008). This situation has been associated with the increasing role of the agency banking in the economy.

The speed of the revolution in the sector of finance has been fastened by the increasing businesses in agency banking. This has been through the realization of the strengths and abilities of making use of the agencies in conducting payments. With reference to the annual supervision report by the (Central-Bank-of-Kenya, 2013), Equity Bank was reported to have the highest number of customers at 5.3M customers and 2,851 agents followed by Co-operative bank with1.9M customers and 561 agents. This suggested that the use of agency banking has a positive impact on the financial deepening. This is because the higher the number of agents, the higher the number of agency banking customers.

In relation to the annual supervision report as at the end of the year 2012 by the Central-Bank-of-Kenya (2013), the value of cash deposits through the agents of commercial bank were at 13 Million while the value of the transactions was at 1.2 Billion. The value of cash withdrawals on the other hand was at Kshs. 591 Million. The banking industry in the country is making use of Agency banking as the latest method of bringing the banking services closer to the people particularly to the either unbanked or under-banked at cheaper and affordable rates. The banks are also providing training to the agents so as to engage the customers in the banking services and on behalf of the commercial banks.

This is supposed to mean that in addition to making financial access available to the customers, the banking agents also create employment opportunities. It is also noted that the banking agency does not have to perform all the activities. Some of the basic services and products which are provided by the banking agencies include cash deposits, bill payment, cash withdrawals, salary payment, and repayment of loan, balance enquiry and funds transfer among others. Banking agencies have also provided a chance for the for the banking customers to access financial services and products at the most nearest location to the customers hence breaking down certain obstacles to customers' inclusion in the financial sector like accessibility and cost especially transport costs.

2.2.3. Bank Agent Operating Hours and Use of Agency Banking

With reference to the findings of a study conducted by Mangatu (2013), it was established that "competition for customers has pushed banks to extend their operating hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays. Standard Chartered, ABC, Diamond Trust Bank, NIC and Barclays Bank of Kenya have recently announced an extension of their operating hours to between 7 am and 8 pm, from what has been the traditional banking hours of between 9 am and 3 pm.” There has been an extension of operating hours by Diamond Trust Bank for its six outlets in Uganda and five in Kenya. The bank has started operating for the entire week, that is, the seven days a week between 8 am to 8 pm."We had to introduce new staff shifts, increased security and investment in technology," said Naomi Mangatu, senior manager for marketing and corporate communications at the bank.

Ms Mangatu said DTB is planning on operating a sixth extended hour’s branch in Nairobi. “Standard Chartered Bank said the extension is meant to accommodate customers' busy schedules. Executive director of the Kenya Bankers Association John Wanyela said the increased banking hours point to a shift towards a 24-hour economy, adding that it will help retailers such as supermarkets that wish to operate for long hours. Some banks have also taken advantage of the introduction of the agency banking model to have their operations in outlets such as supermarkets that open for 24-hours or up to late in the night”, (Pierce-Baker, 2010). The agencies have become more accessible to illiterates and those that are very poor who sometimes may feel intimidated at the branches with low amount of money they would wish to withdraw and deposit (Parasuraman, 1991).

Though most people are not aware of these costs, to some extent they do influence the customer decision to use agency banking or not to use the agency banking hence influences the performance and growth of agency banking (Ombutora, 2013). The type of business of the agent is critical in a number of ways. First the nature of business determines the hours of operation. For example retail shops, supermarkets and hotels are known to operate all days of the year, that is 365 days a year and that they also open early and close late. Chemists are known to open late in the day but extend late in the night. Majority of other businesses like the hard-ware shops open between 0800 hrs and 1800 hrs. The businesses which are more formal like the SACCOs and microfinance also have hours of business similar to those of banks and they remain closed for business on weekends and public holidays (Consultative-Group-to-Assist-the-Poor, 2010).

2.2.4. Bank location and use of Agency Banking

According to Sand (2012) "in the past, poor people living in Nairobi slums experienced problems when attempting to gain access to financial services. This was because banks were not near their localities and they were forced to travel significant distances in search of a bank .What this meant, for someone living in an out-of-the-way informal settlement, was that they would have to cut out a large part of their day to travel and then stand in queues," (Rogers, 2003). The costs of transport had also been considered where, mostly, the entire exercise would prove to be very costly and extremely time-consuming.

However, since 2010, the banking sector has had significant improvements particularly after the introduction of agency banking. Agency banking has been considered as an innovative delivery channel that is seeking to increase access and bring financial services much closer to poor people (Sand, 2012). According to Habil (2013), "days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now do this at their convenience by using Agents outlets. Agency banking has enabled bank customer to access the banking services within the comfort of their neighbor-hood."

"Agency banking can dramatically reduce the cost of delivering financial services to the unbanked people. Agency banking can address the two main problems of access to finance; the cost of roll-out (physical presence) and the cost of handling the low value transactions. This is achieved by leveraging networks of existing third party agency for cash transactions and account operating and by conducting all transactions online", (Honohan, 2006). "The sharp reduction in the cost has created the opportunity to significantly increase the population share with has access to formal finance and particularly in the rural areas where majority of the people in developing countries live", (Financial-Sector-Deepening-Kenya, 2008). With reference to the findings of another study conducted by Ivatury (2006), "agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), long operating hours, shorter queues than in branches, more accessible to the poor who might feel intimidated in branches compared to agency."

"Agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch. The heavy cost of serving low value accounts and providing physical banking infrastructure to unbanked areas was a major impediment to financial inclusion in the past. This model was heavy on the pockets of poor customers, who had to spend time and money to travel long distance to the nearest branch. Agency banking rationalized banks operational expenditure, and reduced the cost to customers, while enabling wider reach", (Ivantury, 2006).

2.3. Conceptual Framework

In conceptual framework, the researcher demonstrates in a diagram form, the independent and the dependent variables investigated in the study alongside their indicators and the hypothesized direction of relationship or influence.

Independent Variables **Dependent Variable**

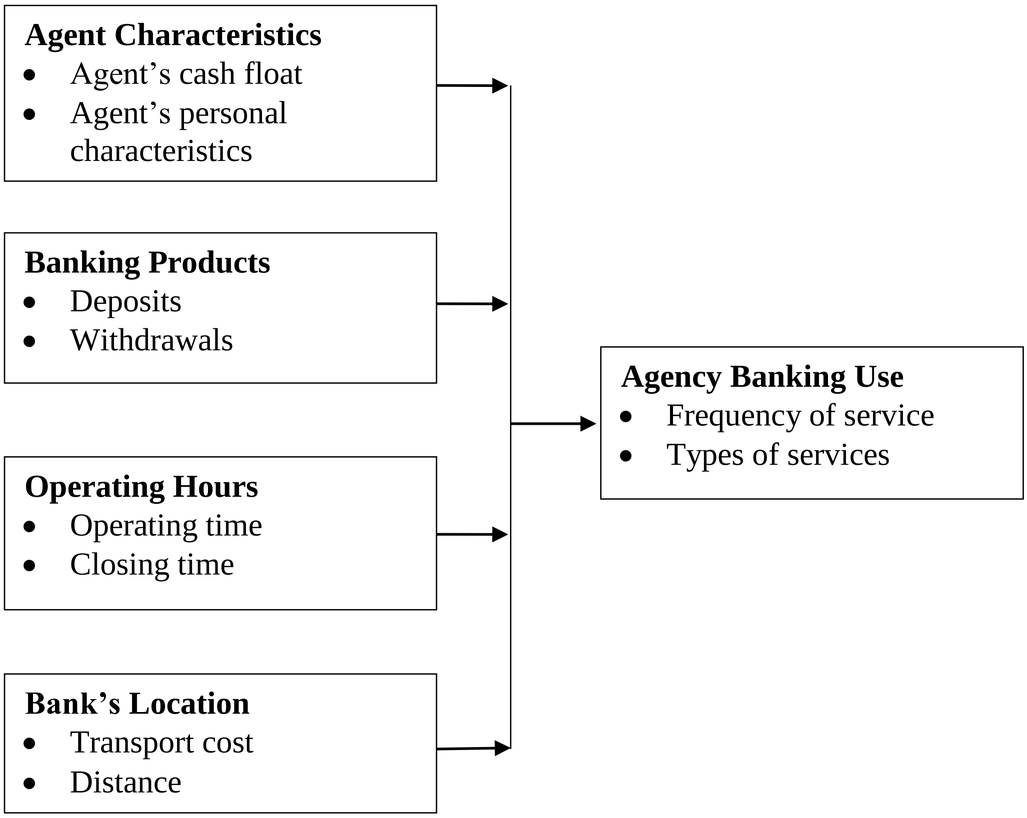

Figure 2.1: Conceptual Framework

Source: **The Author, 2019.**

The following indicators were used to measure the agent characteristics; the independent variable of the study: liquidity or the amount of float the agency operates with, the perceived safety of the agency, the experience of the agency and the personal characteristics of the agent attending to the customers. The banking products offered by the agency were measured using number of deposits, withdrawals, and cash transfers and cash payment of bills/salaries made by the agency per day.

The operating hours of the agency were measured using the opening and closing time of the agency as well as the operating days of the week. The location of the agency bank from the parent bank was measured using the transport cost, means of transport and shortest distance between the agency and the nearest parent bank. The use of agency banking which formed the dependent variable was measured using the number of clients served for the various services provided per day, types and the frequency of services used by the users. The relationship between these variables was investigated and used to explain the factors influencing the use of agency banking by the bank customers of Makueni Sub-County.

There exists a lot of literature on the contribution of agency banking to various levels of economic growth. The literature review of this study has highlighted agency banking benefits to include economic growth and enhancing community development especially in the less developed areas of an economy. However, there is no evidence that a similar study has ever been conducted in Makueni Sub-County. This study will therefore examine the factors influencing the use of agency banking by the customers of banks in Makueni Sub-County. this will add new knowledge which will contribute to strategic planning in the banking industry for sustainable development of agency banking in Makueni Sub-County.

“Following the roll out of the agent banking model in May 2010, commercial banks have been able to contract varied retail entities. These entities, such as supermarkets, petrol stations, post offices, security companies, courier services among others act as third party agents to provide cash-in-cash-out transactions and other services in compliance with the laid down guidelines. This has reduced the cost of transactions and the time especially for the Kenyans in remote areas”, (Pierce-Baker, 2010).

According to a report by the Kenya Bankers Association (2010), “the increased banking hours point to a shift towards a 24-hour economy, adding that it would help retailers such as supermarkets that wish to operate for long hours. Some banks have also taken advantage of the introduction of the agency banking model to have their operations in outlets such as supermarkets that open for 24-hours or up to late in the night”, (Pierce-Baker, 2010). According to Habil (2013), “days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now do this at their convenience by using Agent outlets. Agency banking has enabled bank customers to access the banking services within the comfort of their neighbor-hood."

CHAPTER THREE

3.0. METHODOLOGY

The methodology section presents a discussion of the sections such as the research design, the targeted population, sampling and sampling techniques, the research instruments, the data collection procedure and the data analysis procedures to be used in this study.

3.1. Research Design

This study employed a descriptive survey research design because it would make it possible to provide a detailed description of the characteristics of a large population. Also, it makes use of large samples hence making the results statistically reliable even when there is an analysis of multiple variables. Lastly, the design allows the usage of various methods of data collection such as questionnaires which is a set of standardized questions which enhance reliability of the items (Owen, 2002).

3.2. Target Population

The bank customers of the three main commercial banks in Makueni Sub-County; Equity Bank, Kenya Commercial Bank and Cooperative Bank formed the target population of this study. Table 3.1 below illustrates the distributions of the targeted population.

Table 3.1: Target population of the study

Banks	Target Population (n)
KCB	1200
Equity Bank	910
Cooperative Bank	650
Total	2760

Source: Bank Managers, 2017

This study mainly aimed at establishing the factors influencing the usage of agency banking by the bank customers in Makueni Sub-County. According to the bank managers of the three banks; KCB, Equity Bank and Cooperative Bank; the estimated total number of bank customers from the three main commercial banks in the Sub-County stood at 2,760 as illustrated in Table 3.1. The study participants to the study were given the questionnaires while accessing services from their respective banks and banking agents.

3.3. Sampling and Sampling Technique

This study used systematic sampling techniques to select the working sample. The study sampled at least 10% of the study participants from the target population. According to Cooper and Schindler (2006), "a sample size of between 10% and 30% is a good representation of the target population." Systematic sampling was done by picking every second bank customer seeking service from the Customer Care Desk. This process was carried out until the targeted number of the study participants was achieved.

The bank managers were purposively selected because they are the managers and they have a good picture of agency banking in the area of study. Fair representation of the bank customers from the three main commercial banks was the main goal of using purposive sampling. According to information provided by the bank managers of the three main banks highlighted above, they are the main providers of agency banking services in Makueni Sub-County. The sample for the study has been summarized in Table 3.2 below.

Table 3.2: Sample size of the study

Bank	Number of Sampled Bank customers (s)
KCB	120
Equity Bank	91
Cooperative Bank	65
TOTAL	**276**

Source: Author, 2017.

This study used purposive sampling (according to bank entity) and then systematic sampling to select the study participants.

3.4. Research Instruments

An interview guide and a structured questionnaire were the main data collection tools used by this study as explained below.

3.4.1. Questionnaire

A questionnaire is a set of printed or written questions with a choice of answers, devised for the purposes of a survey or statistical study. A structured questionnaire was used in this study with both open and closed ended items to gather data from the sampled bank customers and the bank managers. The study participants were given sufficient time to react to all the items, and the questionnaire offered a sense of security (confidentiality) to the study participants. In addition, “the questionnaire is considered objective since there is no bias resulting from the personal characteristics likely to be experienced in an interview”, (Ogula, 1998).

This study used a structured questionnaire with five main sections; section A collected data on the demographic information, section B collected data on agency characteristics, section C collected data on agency banking products, section D collected data on agency operating hours while section D collected data on bank’s location. All the questions in the entire questionnaire were closed ended whereby the study participants were expected to pick their desired choices from a list of alternatives provided.

3.4.2. Interview Guide

Interview guide is a list of questions you ask your participants during an interview. It was used to gather information from the bank managers who provided information on the factors influencing the usage of agency banking by the bank customers in Makueni Sub-County. They were also asked their perception on how these factors influenced the usage of agency banking. The data collected was in a narrative form and was analyzed thematically as per the objectives of this study. The summary of this data was used in explaining the results from the quantitative data.

For instance, when the bank managers were asked to state their opinion on how agency characteristics affected the usage of agency banking, majority of them reported that those agents who were customer-friendly were likely to receive more bank customers than less friendly agents. A response by one of the bank managers read,

> "…..*definitely you cannot expect an unfriendly agent with poor communication skills to establish a good rapport with customers, such an agent cannot do have customers frequenting their agency. Agents with courtesy will also attract many customers hence increased use of agency banking".*

The quantitative data also established similar findings; a positive relationship between agency characteristics and use of agency banking, confirming the results of the qualitative data.

3.5. Data Collection Procedure

A research permit letter was obtained from South Eastern Kenya University for authorization to carry out the investigation in Makueni Sub-County. This was presented to banks' customers of the three banks in Makueni Sub-County. The primary data was provided by the questionnaire and the interview schedule. The researcher deposited the questionnaires with the Customer Care personnel at the respective banking halls where they were administered to the bank customers visiting the banks and had previously used agency banking as explained in the sampling technique. The questionnaires were collected after the study participants completed them.

3.6. Data Processing and Analysis Techniques

The quantitative and qualitative data analysis approaches were employed in the analysis of the collected data as suggested by (Musau, 2013). The qualitative data collected from the interview schedules was analyzed qualitatively in thematic areas of the study while the quantitative data collected from the questionnaire was analyzed quantitatively. The study results were first extracted using the descriptive statistical tools such as frequencies, percentages, mean and standard deviation were used to describe the data. Multiple regressions were also performed using SPSS version 20 to ascertain the effect of independent variables on dependent variable. The researcher used multiple regression analysis to test the effect of change of independent variables on dependent variables.

"The regression analysis model was used because it gives an equation which will help in the prediction of the dependent variable from a given independent variable and vice versa. It also shows how a unit increase or decrease and how the independent variable will affect the dependent variable. The study also used content analysis technique to analyze qualitative data. The qualitative data was presented in narrative form and integrated within the quantitative data. These, along with quantitative data, formed the basis of discussion in the light of the available literature. The following model was used in the investigation of the relationship between the independent and the dependent variables", (Kothari, 2004).

Regression model: $Y = C + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$ (Kothari, 2004)

Where:-

Y = Dependent variable,

C = Constant

β_1, β_2, β_3, β_4 are the regression coefficients of the independent variables

X_1 = Agency characteristics, X_2 = Banking Products, X_3 = Operating Hours

X_4 = Location of mainstream banks

CHAPTER FOUR

4.0. RESULTS

This chapter contains data presentation, analysis and interpretation in the indicators used to measure the dependent and independent variables studied as shown below.
Data analysis was done as explained in chapter three above.

4.1. Sample Characteristics

To collect the required data for this study, a total of 276 questionnaires were administered as described in the following categories; 120 bank customers from KCB, 91 from Equity Bank and 65 Cooperative Bank. The total number of questionnaires which were successfully completed and returned was 255 making the response rate to be 92.4% as illustrated in table 4.1 below.

Table 4.1: Response Rate

Category	Targeted no. of questionnaires	No. of questionnaires returned	Response rate (%)
Equity Bank	91	85	93.4
Cooperative Bank	65	58	89.2
KCB	120	112	93.3
Total	**276**	**255**	**92.4**

Response return rate from Equity bank was 93.4%, cooperative bank was 89.2%, and KCB was 93.3%. As rated by Mugenda and Mugenda (2003), “a response rate of 60% is good and a response rate of 70% and over is very good.” This makes the above response rate of this study suitable. The high response rate also enhances reliability of the study findings. This high return rate was enhanced through the use of well guided and facilitated Research Assistants. The demographic data of the study participants such as gender, age, and level of education and use of agency services were also summarized as shown in table 4.2 below.

Table 4.2: Gender Distribution

Gender	Responses	Percentage (%)
Male	183	71.7
Female	72	28.3
Total	**255**	**100**

Table 4.2 shows that, the majority of study participants were male (71.7%) while the female were 28.3%. This means more female customers should be encouraged to start using Agency banking services. However, the respondent‘s gender had no influence on the study results.

Table 4.3: Age Distribution

Age bracket in years	Responses	Percentage
Below 30 years	61	23.9%
30 - 40 years	83	32.6%
41 and above years	111	43.5%
Total	**255**	**100%**

Majority of study participants were aged 41 years and above (43.5%) and 30 -40 years (32.6%) respectively. Majority of people in this age bracket are people who are earning income and this is likely to be the reason why they are more than the others. The least were those aged below 30 years (23.9%). Majority of people who are in this age mostly earn low income since many are either in school or in college. However, the results indicate there is need to sensitize more young people to use agency banking services.

Table 4.4: Academic Level

Academic level	Responses (n)	Percentage (%)
Primary	28	10.9%
Secondary	37	14.5%
Certificate	52	20.3%
Diploma	63	24.6%
Degree	76	29.7%
Total	**255**	**100%**

According to table 4.4 above, majority of the study participants (29.7%) were holders of a bachelor's degree while the least (10.9%) had completed primary and secondary school certificates. These results show that there seem to be a relationship between academic level and use of agency banking.

4.2. Descriptive and Inferential Statistics

The results of this research were summarized tables, presented in graphs and discussed as per the research objectives as outlined in chapter 1, section 1.3. The collected data were summarized into the tables shown below. Key results that were presented in the tables included the values of the minimum, maximum, mean and standard deviation of the responses. For the indicators of the independent variables, the responses to the statements presented before them by the researcher ranged between 1 and 5 inclusive whereby response 1 meant 'strongly agree', 2 meant 'agree', 3 meant 'don't know', 4 meant 'disagree' while 5 meant 'strongly disagree'.

The perceived frequency of using agency banking as reported by the study participants was also reported and their responses were recorded as follows: response 1 meant 'very high' 2 meant 'high' 3 meant 'moderate' while 4 meant 'low' usage of agency banking as the frequency of using agency banks. The researcher further sought the reasons for using the agency banking and the responses were recorded as follows: 1 meant 'agency characteristics' 2 meant 'banking products', 3 meant 'agency operating hours' while 4 meant 'agency location' as the reason for using the agency banking. The responses were summarized in table 4.5 below.

Table 4.5: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Agency Characteristics	255	1	5	1.78	.963
Banking Products	255	1	5	2.22	1.093
Operating Hours	255	1	5	2.09	1.027
Bank location	255	1	5	2.20	1.048
Frequency of using agency banking	255	1	3	1.38	.665
Reasons for using agency banking	255	1	4	2.13	.634
Valid N (list wise)	255				

On the independent variables, the banking products had the highest mean score of 2.22 while agency characteristics had the lowest mean score of 1.78. This suggested that the study participants in the area of study agreed to the statement that both banking products and agency characteristics do influence the use of agency banking. On the frequency of using agency banks, the average response was 1.38 indicating that there is a very high frequency of using agency banking by the study participants in the area of study. None of the study participants reported a low frequency of using agency banking.

4.2.1. Agent Characteristics vs. Use of Agency Banking

The agency characteristics; the first objective, was measured using a number of indicators which included the amount of cash float, the time taken to serve the customers, courtesy of the agents, the type of business operated by the agents and the perceived security level at the location of the agencies. The study participants were required to indicate whether the agent characteristics influenced the use of Agency banking by the bank customers in the area of study. The overall responses were summarized in table 4.6 below.

Table 4.6: Agency characteristics

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	123	48.2	48.2	48.2
	Agree	87	34.1	34.1	82.4
	Not Sure	30	11.8	11.8	94.1
	Disagree	8	3.1	3.1	97.3
	Strongly Disagree	7	2.7	2.7	100.0
	Total	**255**	**100.0**	**100.0**	

According to the results in table 4.6 above, majority of the study participants 82.4% agreed while 5.8% disagreed that agency characteristics influence the of use agency banking. Only 11.8% were not sure whether agency characteristics influenced the use of agency banking. Generally, all the factors categorized as characteristics of agency banking, collectively determined the number of clients visiting the bank agents. To confirm these results the researcher further tested the first null hypothesis stated below using correlation coefficients.

Null hypothesis (H_{01}): There is no significant relationship between the agent characteristics and the use of agency banking. The results were presented in the table below.

Table 4.7: Agency characteristics vs. use of agency banking

		Agency Characteristics	Frequency of using agency banking
Agency Characteristics	Pearson Correlation	1	.839**
	Sig. (2-tailed)		.000
	N	255	255
Frequency of using agency banking	Pearson Correlation	.839**	1
	Sig. (2-tailed)	.000	

	N	255	255

**. Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.7 above revealed that there is a strong positive correlation at 99% confidence level between agent characteristics and the use of agency banking **(r = 0.839, p = 0.000).** Since P<0.01 then the relationship is significant and therefore we do reject the hypothesis and conclude that there is a significant relationship between the agency bank characteristics and the use of agency banking.

4.2.2. Agency Banking Products and Agency Banking

This section presents the results for the second objective; establishing the influence of agency banking products on the use of agency banking by the bank customers in the area of study. The indicators of agency banking products offered by agents included; deposits, savings, withdrawal, cash transfer, payment of bills and balance enquiry. The study participants were further required to state their perceived influence of agency banking products on the use of agency banking. The responses were summarized in the table 4.8 below.

Table 4.8: Agency Banking Products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	68	26.7	26.7	26.7
	Agree	113	44.3	44.3	71.0
	Not Sure	36	14.1	14.1	85.1
	Disagree	26	10.2	10.2	95.3
	Strongly Disagree	12	4.7	4.7	100.0
	Total	**255**	**100.0**	**100.0**	

The results in table 4.8 above suggest that, majority of the study participants (71%) agreed while 14.9% disagreed with the statements that “agency banking products influenced the use of agency banking”. Only 14.1% of the study participants were not sure whether the products of the agency banking affected the use of agency banking or not. However, the clients sought for certain services such as the credit facilities which were not available at the agencies. Further the researcher tested the hypothesis;

H_{02}: There is no significant relationship between the banking products and the use of agency banking.

Table 4.9: Agency Banking Products vs. Agency Banking

		Agency Banking Products	Frequency of using agency banking
Agency Banking Products	Pearson Correlation	1	.890**
	Sig. (2-tailed)		.000
	N	255	255
Frequency of using agency banking	Pearson Correlation	.890**	1
	Sig. (2-tailed)	.000	
	N	255	255

**. Correlation is significant at the 0.01 level (2-tailed).

The research findings show that there is a strong positive correlation at 99% confidence level between banking products and agency banking ($r = 0.890$, $p = 0.000$). Since $p<0.01$, we reject the hypothesis and conclude that there is a significant relationship between the agency bank products and the use of agency banking. This suggests that the banking agents have products that attract customers.

4.2.3. Agent's Operating Hours and Agency Banking

Examining the influence of agency banking operating hours on the use of agency banking by the bank customers in the area of study formed the third objective. The study participants were asked to give their opinion on whether agency operating hours had any influence on the use of Agency banking or not. Their responses were summarized and presented in table 4.10 below.

Table 4.10: Agency Operating Hours

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	75	29.4	29.4	29.4
	Agree	119	46.7	46.7	76.1
	Not Sure	33	12.9	12.9	89.0
	Disagree	18	7.1	7.1	96.1
	Strongly Disagree	10	3.9	3.9	100.0
	Total	255	100.0	100.0	

The research results in table 4.10 revealed that majority (76.1%) of the study participants indicated that the agency operating hours influenced the use of agency banking in Makueni Sub-County. The earlier and the longer the agency operated the agency business the better it was for the clients. The study also investigated to find out the number of days the agency operated per week. The findings revealed that the bank agencies operated for more days, either 6 or 7 days per week as well as remaining open for more hours than the mainstream banks hence allowing customers more access to banking services. Further the researcher tested the third null hypothesis stated below and the results were summarized in table 4.11 below.

H_{03}: There is no significant relationship between the agency bank operating hours and the use of agency banking.

Table 4.11: Agency Operating Hours vs. Agency Banking

		Frequency of using agency banking	Operating Hours
Frequency of using agency banking	Pearson Correlation	1	.875**
	Sig. (2-tailed)		.000
	N	255	255
Operating Hours	Pearson Correlation	.875**	1
	Sig. (2-tailed)	.000	
	N	255	255

**. Correlation is significant at the 0.01 level (2-tailed).

The results in table 4.11 established that there is a strong positive correlation at 99% confidence level between operating hours and the use agency banking services (r = 0.86, p = 0.000). Since 0.000 is less than 0.01, we reject the hypothesis and conclude that there is a significant relationship between the operating hours of the agency banks and the use of agency banking. This implies that the bank agencies have increased the provision of banking services even when the mainstream banks are closed.

4.2.4. Location of the Mainstream Bank and Agency Banking

Establishing the effect of the location of the mainstream bank on the use of agency banking by the bank customers in the area of study formed the fourth objective of this study. The study participants were asked for their perceived opinion on how the location of the mainstream bank affected the use of agency banking. The location of the mainstream bank in this study was used to mean the distance between the home of the client and the nearest mainstream bank. The study findings suggested that, the clients preferred using the bank agents in places where the mainstream banks were far away from their homes than the bank agencies. Their responses were also summarized in table 4.12 below.

Table 4.12: Location of the Mainstream Banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	63	24.7	24.7	24.7
	Agree	125	49.0	49.0	73.7
	Not Sure	29	11.4	11.4	85.1
	Disagree	29	11.4	11.4	96.5
	Strongly Disagree	9	3.5	3.5	100.0
	Total	255	100.0	100.0	

The study results in table 4.12 above revealed that majority of the study participants (73.7%) agreed while 14.9% disagreed with the statement that, “the location of the mainstream bank affected the use of agency banking.” Another proportion, (11.4%) of the study participants were not sure while another similar proportion disagreed with the statement that "the location of the mainstream bank affected the use of agency banking". The researcher further tested the fourth null hypothesis which stated that;

H_{04}: There is no significant relationship between banks location and the use of agency banking. The results were presented in table 4.13 below.

Table 4.13: Location of Main Banks vs. Use of Agency Banking

		Frequency of using agency banking	**Location of the mainstream banks**
Frequency of using agency banking	Pearson Correlation	1	.878**
	Sig. (2-tailed)		.000
	N	255	255
Location of the mainstream banks	Pearson Correlation	.878**	1
	Sig. (2-tailed)	.000	
	N	255	255

**. Correlation is significant at the 0.01 level (2-tailed).

The study findings in table 4.14 above suggested that there was a strong positive correlation at 99% confidence level between the location of the mainstream banks and the use of agency banking ($r = 0.878$, $p = 0.000$). Since 0.000 is less than 0.01, the null hypothesis was rejected and concluded that there is significant relationship between the location of the mainstream bank and the use of agency banking. This suggested that the bank agencies have improved and increased the access of the banking services in both urban and rural areas by bringing services nearer to the people. A summary of the multiple correlations between all the variables studied in this study were generated and presented as shown in table 4.14 below.

Table 4.14: Multiple correlations

		Agency Characteristics	Banking Products	Operating Hours	Location of the mainstream banks	Frequency of using agency banking
Agency Characteristics	Pearson Correlation	1	.891**	.893**	.882**	.839**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	255	255	255	255	255
Banking Products	Pearson Correlation	.891**	1	.953**	.975**	.890**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	255	255	255	255	255
Operating Hours	Pearson Correlation	.893**	.953**	1	.952**	.875**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	255	255	255	255	255
Location of the mainstream bank	Pearson Correlation	.882**	.975**	.952**	1	.878**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	255	255	255	255	255
Frequency of using agency banking	Pearson Correlation	.839**	.890**	.875**	.878**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	255	255	255	255	255

**. Correlation is significant at the 0.01 level (2-tailed).

4.3. Other Research Findings

The following section presents other findings from the same questionnaire which was used in this study. In addition to the main questions, the researcher included other relevant but less important questions in the questionnaire. The data was analyzed, summarized and presented in this section.

4.3.1. Frequency of Using Agency Banking

The study also investigated the perceived frequency of use of agency banking by the bank customers of Makueni Sub-County. The responses collected were summarized and presented in table 4.15 below.

Table 4.15: Frequency of Using Agency Banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	183	71.8	71.8	71.8
	High	46	18.0	18.0	89.8
	Moderate	26	10.2	10.2	100.0
	Total	255	100.0	100.0	

The results in table 4.15 above suggested that the majority of the respondents (71.8%) reported a very high frequency of using bank agents in Makueni Sub-County. The other study participants, 18.0% and 10.2% reported a high and moderate frequency of using agency banking respectively. None of the study participants reported a low frequency of using agency banking in Makueni Sub-County. This suggests that the Makueni Sub-County bank customers had embraced the idea of using agency banking to perform most of their transactions.

4.3.2. Reasons for using Agency Banking

The study further explored to find out the reasons for using agency banking. The responses were summarized and presented in Table 4.16 below.

Table 4.16: Reasons for using Agency Banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agency characteristics	28	11.0	11.0	11.0
	Banking products	176	69.0	69.0	80.0
	Operating hours	42	16.5	16.5	96.5
	Agency location	9	3.5	3.5	100.0
	Total	**255**	**100.0**	**100.0**	

The findings in table 4.16 revealed that the greatest reason why customers preferred using banking agencies was, "the banking products offered by the agency banks". These products included deposits, withdrawals, and utility bill payments among other services. The products therefore, seem to be the major attraction towards the use of bank agents by the bank customers in Makueni Sub-County.

4.4. Regression Analysis

Multiple regression analysis was used to test the impact of change of independent variables on dependent variables. This was used because it gives an equation which can be used in making prediction of the dependent variable from a given value of the independent variable and vice versa. The analysis also shows how a unit increase or decrease in the independent variable will affect the dependent variable. A model summary was also generated to indicate the predictors of the dependent variable as shown in table 4.17 below.

Table 4.17: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.898[a]	.807	.804	.295

a. Predictors: (Constant), Location of the mainstream bank, Agency characteristics, Operating Hours, Banking Products.

The researcher also generated the regression coefficients indicating the level at which each independent variable affected the dependent variable.

Table 4.18: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.160	.043		3.699	.000
	Agency Characteristics(X_1)	.123	.045	.178	2.751	.006
	Banking Products(X_2)	.301	.083	.495	3.612	.000
	Operating Hours(X_3)	.123	.066	.190	1.860	.064
	Location of mainstream banks (X_4)	.037	.085	.058	.429	.668

a. Dependent Variable: Frequency of using agency banking (Y)

Regression model: $Y = C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

Specific Regression Model: $Y=0.160 + 0.123X_1 + 0.301X_2 + 0.123X_3 + 0.037X_4$

Use of agency banking = 0.160 + 0.123 (Agency characteristics) + 0.301(Banking products) + 0.123 (Operating hours) + 0.037(Location of the mainstream banks). The regression analysis in table 4.18 shows how a unit changes in independent variable changes the dependent variable. Since all the betas (β) were, they indicated a positive influence indicating that every unit increase in the independent variables would cause a positive change in the dependent variable with the following quantities; Agency characteristics (0.123), Banking products (0.301), Operating hours (0.123), and location of the mainstream banks (0.037). There was a significant prediction of the dependent variable by agency characteristics and banking products. This model shows that the banking products have the highest contribution to the regression equation compared to the other three independent variables. These results were also supported by the values indicated after the analysis of variables as shown in table 4.19 below.

Table 4.19: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90.623	4	22.656	**260.840**	**.000**[b]
	Residual	21.714	250	.087		
	Total	112.337	254			

a. Dependent Variable: Frequency of using agency banking
b. Predictors: (Constant), Location of mainstream banks, Agency characteristics, Agency Operating Hours, Banking Products.

According to the analysis of variance, the location of the mainstream banks, agency characteristics, agency operating hours and the banking products had a significant influence on the use of agency banking, ($F(4, 250) = 260.84$, $p<0.01$).

CHAPTER FIVE

5.1. DISCUSSION

This chapter presents a discussion of the study key findings particularly on the dependent variable and the independent variables and how these findings relate with the findings of other previous similar studies.

5.1.1. Agency Characteristics and Use of Agency Banking

The findings of this study established that, agency characteristics; which included the amount of cash float the agent has, the time an agent takes to serve a single client, courtesy level of the agent, the type of business operated by the agent and the security of the location of the agency. The study findings also suggested that majority of study participants strongly agreed with the statements that; the amount of float of an agency determines the number of clients and the experience of the agent attracts customers. It was also noted that clients needed a welcoming agent who was efficient in service delivery because the speed of service delivery influenced the number of clients visiting the agency.

The float is a major tool in the operation of agency banking and the more the cash float the agent has, the more one is likely to remain in business. Also the experience of the agency will help the agency to manage the business in a better way by keeping good records, relating well with customers and serving them without unnecessary delays. These results agree with those of Alfansi who argued that the personal characteristics of the agents are crucial when it comes to operating the bank agency (Alfansi, 2000).

This was associated with the fact that when customers are satisfied with the agency services, they gain confidence in the agent hence customer retention which led to the growth of clientele; increased number of customers who are attached to the agent and thus an increase in the volume of transaction and high commissions earned (Bolt, 2012). The way agents handle customers complaints can also determine whether they will come back for services or not (Ombutora, 2013).

According to a study carried out by Ombutora, a bank agency with enough float, run by an efficient, courteous and welcoming agent encourages them to keep on coming to the same agent as opposed to other agency businesses without such qualities. This implies that if agencies have a good character then they are likely to attract more clients. This confirms the claim that the agency characteristics are crucial for better functioning of the agencies (Ombutora, 2013).

The findings of this study also revealed a strong positive correlation between agency characteristics and the use of Agency banking. This suggested that there is a significant relationship between the agency bank characteristics and the use of agency banking. These findings concurred with the findings of another study carried out by Ombutora which established that the operations of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent account at bank and crediting the customer's account at the bank, hence the amount of float of an agency determines the number of clients served (Ombutora, 2013).

5.1.2. Banking Products and Agency Banking

The study also revealed that there was a strong positive correlation between banking products and use of agency banking. These findings are in agreement with the findings of Juliet who argued that agency banking in Kenya takes banking services to the 'unbanked' and 'under-banked' at a cheaper rate and that the agency does not have to perform all the activities (Juliet, 2013). These include but are not limited to; Cash deposits, cash withdrawals, bill payment, and repayment of loan, fund transfer and balance.

These results were similar to the findings of another study conducted by (Juliet, 2013) which established that the banking agency was worthwhile in availing banking services closer to the customers. The study also revealed that majority of the study participants strongly agreed with the statements; “bank agencies help most people in the rural areas in saving, most people prefer using banking agencies in their transactions, services offered via bank agencies should be diversified and banking agencies should provide credit facilities as well”. The study also found out that there is a strong positive correlation between banking products and use of agency banking.

This implied that there is a significant relationship between the banking products or services available at the agencies and the use of agency banking. Similar to the findings of a study carried out by Ndungu, this study found out that the services that agents offer include cash deposits, cash withdrawals, payment of bills, transfers (including benefits and salary payment) among others (Ndungu, 2009).

The findings of this study revealed that bank agencies operated for more days and longer hours than the mainstream banks hence increasing the time for clients to access and utilize the banking services provided in these agencies. Additionally, the study revealed a positive correlation between the operating hours of the agencies and the use of agency banking. According to the bank supervision Annual Report (2012), adoption of agency banking has promoted access to banking services for long hours. The Financial Sector Reform and Development Blueprint and Vision 2030 have indicated that, access to financial services has continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been enhanced to fulfilling the goals of building an all-inclusive and efficient financial system.

Agency banking provides the opportunity for customers to access financial products and services at a location nearer to the customer, thus breaking down certain barriers to financial inclusion such as cost and accessibility (Financial-Sector-Deepening-Kenya, 2008). Despite the use of the agency banking by the banks to bring financial services closer to their customers. According to a study carried out by Modupe, the long queues of people seeking services in banks especially have not reduced especially in Equity Bank (Modupe, 2010). Therefore, the researchers need to study the factors influencing the use of agency banking by the bank customers of Makueni Sub-County, Kenya.

5.1.3. Operating Hours and Use of Agency Banking

The findings of this study established that there is a strong positive correlation and a significant relationship between long operating time and the use of agency banking. This suggested that the extended operating hours influenced the use of agency banking. Other qualitative findings from the customers and bank managers also revealed that operating hours also influenced whether a customer would visit the agent or the bank. These findings strongly concur with the results of a study conducted by Mangatu (2013) that competition for customers has pushed banks to extend their operating hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays.

Mangatu (2013) attributed the extension of banking hours to increased economic activities, traffic jams that have cut peoples' spare time and change of Kenyan's lifestyles. The findings of this study revealed that majority of the study participants strongly agreed with the statement that; most of our clients are highly affected by transport means, many people use banking agencies because of location of the main banks in relation to their homes and enterprises, Using bank agencies saves on transport cost, and bank agencies operates where there are no banks.

5.1.4. Agency Location and Use of Agency Banking

The results of this study established a strong positive correlation between agency location and Agency banking use. The branch managers of the three banks whose customers participated in this study also revealed that Banks location also influenced the choice between use of agency banking and visiting the bank. The findings of this study were in agreement with the those of Ivatury (2006), who argued that agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), longer operating hours, shorter queues than in branches more accessible to the poor who might feel intimidated in branches compared to banking agency.

5.2. Summary of the findings

The purpose for this study was to find out the factors influencing the use of agency banking by the bank customers in Makueni Sub-County, Kenya. The objectives of the study were; to determine the influence of the agent characteristics on the of use of agency banking, to determine the influence of the banking products offered by agency banking on the use of agency banking, to assess the extent to which operating hours influence the use of agency banking and to establish the influence of banks' location on the use of agency banking by the bank customers of Makueni Sub-County.

5.2.1. Agent Characteristics and Use of Agency Banking

From the first objective, the study revealed that majority (48.2%) of study participants strongly agreed with the statements that; the amount of float of an agency determines the number of clients, the experience of the agent attracts customers, clients need a welcoming agency and that the speed of the agent in serving customers influences the number of clients visiting the agency. There was also a strong positive correlation between agent characteristics and use of agency banking ($r = 0.80$, $p = 0.000$) meaning there is a significant relationship between the agency bank characteristics and the use of agency banking ($p<0.01$).

5.2.2. Banking Products and Use of Agency Banking

From the second objective, the study established that majority of the study participants (71%) agreed to the statement that, "the banking products and services are main factors determining the use of agency banking". Therefore, the bank agencies should provide all the services provided by the mainstream banks. This is mainly because some of the study participants agreed with the statements that bank agencies help most people in the rural areas in saving, most people prefer using banking agencies in their transactions, services offered via bank agencies should be diversified and banking agencies do not provide all the necessary services. There was also a strong positive correlation between agency banking products and use of agency banking ($r = 0.78$, $p = 0.000$) implying there is a significant relationship between the agency banking products and the use of agency banking ($p<0.01$).

5.2.3. Operating Hours and Use of Agency Banking

From objective three, the study established that there is a strong positive correlation between long operating hours and use of agency banking ($r = 0.86$, $p = 0.000$) and that there was a significant relationship between the agency bank operating hours and the use of agency banking ($p<0.01$). This means that the operating hours influenced the use of agency banking by the bank customers of Makueni Sub-County.

5.2.4. Agency Location and Use of Agency Banking

From the fourth objective, the study findings revealed that most of bank customers are highly affected by the means of transport and that many people use banking agencies because of location of the main banks in relation to their homes and enterprises. Most study participants argued that, using bank agencies reduced transport expenses, and bank agencies operated more where there were no banks. Also there is a strong positive correlation between agency location and the use of agency banking ($r = 0.82$, $p = 0.000$), an indication that an increase in the distance between home and the mainstream banks increases the use of agency banking.

CHAPTER SIX

6.0. CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a discussion of the conclusions made based on the findings of this study and the suggested recommendations in relation to ways of making better use of agency banking by the commercial banks in Makueni Sub-County and similar areas.

6.1. Conclusions

This study concluded that agent characteristics; banking products offered at the agencies, agency operating hours and bank location have a significant influence on the use of agency banking by the bank customers in Makueni Sub-County, Kenya. There is a significant relationship between the agent characteristics and the use of agency banking. This means that clients need a welcoming agency and that the speed of the agent in service delivery to the customers influences the number of clients visiting the agency. Agency banking, like the mainstream commercial banks, offered banking products which include; cash deposits, cash withdrawals, settlement of bills and balance enquiry.

However there are limitations to the products offered because services such as credit facilities, bankers’ cheques, ATM card collection, a cheque book collection, foreign exchange, and cash transfer to other banks are excluded at bank agencies. Adoption of agency banking has enhanced access to banking services for more days and longer hours thus increasing innovation in the delivery of financial products and services throughout the day and week. This helps those who are busy throughout the day and have only a short time to access the banking services. Agency banking provide the opportunity for customers to access financial products and services at a location nearest to the them, thus breaking down certain barriers to financial inclusion such as cost and accessibility.

6.2. Recommendations

This study found that; the agent characteristics which includes; banking products offered at agencies, agency operating hours and bank location have a significant influence the use of agency banking by the bank customers of Makueni Sub-County, therefore the study recommends that banks such as Equity bank, Co-operative Bank and Kenya Commercial Bank need to enhance their marketing and advertising to sensitize the public on the availability and the services as well as products offered by agency banks. The commercial banks should also diversify the products they offer to their customers at agent points to include the credit facilities. The agencies should have adequate money so that those who want to withdraw large amounts would not be forced to go to main banks.

6.2.1. Policy Recommendations

The policy makers need to develop a guideline on the operating and closing time for the agency banking so as to enhance service delivery and uniformity among similar bank agents. To ensure consistency, the commercial banks need to come up with a policy that enhances uniformity between the services as well as products provided by the banks and those of the corresponding banking agencies. There is need for the Central Bank of Kenya to encourage the commercial banks to carry out further research on the other factors influencing the use of agency banking in different parts of the country.

6.2.2. Areas of Further Research

There is need for more research to be carried out in other counties to find out if these findings will replicate or not. More research will also enable banks to come up with better or improved agency bank models. Since this is an area which has not been researched a lot, researchers are encouraged to find out factors influencing the operating hours of the agency banks in urban as well as in rural areas, the factors influencing profitability of banking agencies or even other factors influencing the use of agency banks other than the products themselves.

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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR THE BANK CUSTOMERS

Eric Muendo,
Wote Technical Training College,
P.O Box 377-90300,
Wote- Makueni.

Dear Respondent,

<u>RE: REQUEST TO COMPLETE THE ATTACHED QUESTIONNAIRE</u>

My name is Eric Muendo, a Masters student from SEKU, REG. NO: D61/WTE/20435/2014. As a requirement for the award of a MBA by the University, I am conducting an academic research entitled, "**Factors Influencing the Use of Agency Banking by Bank Customers of Makueni Sub-County, Kenya"** whose questionnaire is attached below.

The aim of the questionnaire is to collect data to be analyzed to achieve the objectives of this study. The information given will be used for the purpose of this research only. The identity of the respondent will remain **confidential**. Use a '**tick'** to select your option among the multiple choices given. Do not write your name or the name of the banking institution on this questionnaire.

Sincerely,

Eric Muendo
Cell phone: 0710 177 199

Instructions

- **Kindly complete the questionnaires honestly,**
- **Write neatly and legibly**
- **Write your answers in the spaces provided**

Section A: Demographic Information (*Please tick appropriately*)

Which is your bank? (i) Cooperative Bank [ ]
(ii) Equity Bank [ ]
(iii) Kenya Commercial Bank [ ]

a) Indicate your gender?	Male [ ]		Female [ ]	
b) What is your age?	Less than 30 years [ ]	30-40 years [ ]	Above 40 years [ ]	
c) What is your highest level of education	Primary [ ]	Secondary [ ]	Dip/Cert [ ]	Degree [ ]
d) Do you use agency services?	YES [ ]		NO [ ]	
e) How often do you use agency services?	rarely [ ]	Once in a month [ ]	Regularly [ ]	Always [ ]
f) Indicate the number of days the agency operates per week	5 [ ]	6 [ ]	7 [ ]	

Section B: Agency Characteristics

1. To what extent do you agree with these **qualities** of a Bank Agent listed below? Write or tick under:

1 to mean strongly **Agree; 2** to mean **Agree**; **3** to mean **Don't Know**; **4** to mean **Disagree**, **5** to mean **Strongly Disagree**

Factor	**1**	**2**	**3**	**4**	**5**
a) The **amount of cash** float the agent has determines the number of customers					
b) The **time** it takes to serve customers affects customer preference					
c) **Courteous** agents have customers than discourteous agents					
d) The **type of business** run by the agent affects choice by customers					
e) Agents located in more secure places get more customers					

Section C: Agency banking products

2. Indicate the service you get from bank agents and how often

[Write or tick appropriately]

Service	**never**	**rarely**	**once**	**regularly**	**always**
a) Cash deposit					
b) Cash withdrawal					
c) Payment of bills					
d) Funds transfer					
e) Loan repayment					

3. Tick appropriately

Factor	YES (%)	NO (%)	Don't Know
a) Bank agencies help most people in the rural areas in saving			
b) Most people prefer using banking agencies in their transactions			
c) Services offered through bank agencies should be increased			
d) Banking agencies do not provide all the necessary services			

Section D: Agency operating hours

4. Tick appropriately.

1 to mean s**trongly agree; 2** to mean **Agree**; **3** to mean **Don't Know**; **4** to mean **Disagree**, **5** to mean **Strongly Disagree**

Statement	**1**	**2**	**3**	**4**	**5**
a) Operating hours of the banking agency greatly influence their use					
b) Agency banks remain open for long hours and serve most customers					
c) Agency banks' operating days (weekends and holidays) is d) Convenient to customers					

Section E: Bank's Location

5. Indicate to what extent you agree with the statements given in the table below (write or tick under)

1 to mean **strongly agree; 2** to mean **Agree**; **3** to mean **Don't Know**; **4** to mean **Disagree**, and **5** to mean **strongly disagree**

Statement	1	2	3	4	5
a) Most customer use agents because of lack transport means to the banks					
b) Most people use bank agents because they (agents) are located near them					
c) Using bank agents saves the clients a lot of transport cost					
d) Agency banks operate in some areas where no bank can open a branch					
e) Bank location affects the use agency banking					

END.

Thank you for your cooperation

APPENDIX II: INTERVIEW SCHEDULE FOR BANK MANAGERS

1. How long have you served as a bank manager?
2. How long have you served in the current branch?
3. Does your bank operate agency banking?
4. How many agents does your branch have?
5. Do you think agency characteristics influences extent of agency use?
6. If yes, how?
7. What banking characteristics affect extent of agency use?
8. What products does your agency offer?
9. Which is the most popular product?
10. What other products does the customers wish be offered through the bank agents?
11. How does opening hours affect agency use?
12. What time do you think agencies should open and close?
13. In last two years, has there been an increase in the number of clients being served at agents?
14. What can you say about banks location and use of agency banking?
15. Is agency banking a good thing for the banking industry? Yes (   ) No (   ). Explain your response.
16. Does the location of the main bank affect the use of the agency banking by the bank customers in Makueni Sub-County?
17. How do the agent characteristics influence the use of agency banking by the bank customers in Makueni Sub-County?
18. How do the agency operating hours influence the use of agency banking by the bank customers in Makueni Sub-County?
19. How do the banking products influence the use of agency banking by the bank customers in Makueni Sub-County?
20. Which other factor influences the use of agency banking by the bank customers in Makueni Sub-County?

End.

APPENDIX III: PERMISSION FOR DATA COLLECTION

10

SOUTH EASTERN KENYA UNIVERSITY
OFFICE OF THE DIRECTOR
BOARD OF POST GRADUATE STUDIES

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Our Ref: D61/WTE/20435/2014

Date: Wednesday, February 03, 2016

Kilonzo Eric Muendo
Reg: D61/WTE/20435/2014
Master of Business Administration
C/O Dean, School of Business and Economics

Dear Kilonzo,

RE: PERMISSION TO PROCEED FOR DATA COLLECTION

This is to acknowledge receipt of your Master in Business Administration Proposal document entitled, *"Factors influencing using of agency banking by bank customers in Makueni Sub-County"*.

Following a successful presentation of your Master Proposal, the School of Business and Economics in conjunction with the Directorate, Board of Post graduate Studies (BPS) have approved that you proceed on and carry out your research data collection in accordance with your approved proposal.

During your research work, you will be closely supervised by Dr. Jared Ariemba and Dr. Joash A. Migosi. You should ensure that you liaise with your supervisors at all times. In addition, you are required to fill in a Progress Report ***(SEKU/ARSA/BPS/F-02)*** which can be downloaded from the University Website.

The Board of Postgraduate Studies wishes you well and a successful research data collection as a critical stage in your Master of Business administration.

For [signature]

Prof. Cornelius Wanjala
Director, Board of Postgraduate Studies

Copy to:
Deputy Vice Chancellor, Academic, Research and Students Affairs
Dean, School of Business and Economics
Chairman, Department of Business & Entrepreneurship
Dr. Jared Ariemba
Dr. Joash A. Migosi,
Director, Wote Campus
BPS Office- To file

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