

**FACTORS INFLUENCING ACCESS TO AGENCY BANKING BY THE LOCAL  
COMMUNITY IN KITUI CENTRAL DISTRICT, KENYA**

**BY**

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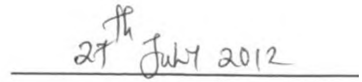
## DECLARATION

This research paper is my original work and has not been presented in any other university or institution of higher learning.



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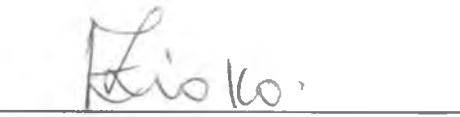
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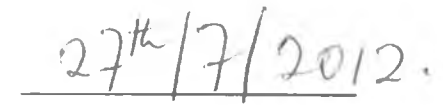
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This proposal has been presented for examination with my approval as the University Supervisor.



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**Supervisor's Signature**



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## **DEDICATION**

This research work is dedicated to my lovely sister Christine Wambui for her inspiration, support and encouragement during my studies, and to my late mum Rose Kagure for teaching and instilling in me the value of education, working hard and being strong.

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## Abbreviations and Acronyms

<b>AML/CFT</b>	Anti Money Laundering and Combating Financing of Terrorism.
<b>ATM</b>	Automated Teller Machine
<b>CBA</b>	Commercial Bank of Africa
<b>CBK</b>	Central Bank of Kenya
<b>GDP</b>	Gross Domestic Product
<b>KCB</b>	Kenya Commercial Bank
<b>KYC</b>	Know Your Customer
<b>MFI</b>	Microfinance Institution
<b>NGO</b>	Non Governmental Organization
<b>POS</b>	Point of Sale
<b>RBI</b>	Reserve Bank of India
<b>SACCO</b>	Savings and Credit Cooperatives

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## ABSTRACT

Agency banking is the business carried out by an agent on behalf of an institution as permitted by the banking act. It answers the call for greater inclusion across the African continent as a whole. Through agency banking, banks have been able to recruit other businesses with a nationwide footprint to offer banking services on their behalf, allowing them to have branches in areas that were not previously commercially viable.

The study analysed the factors influencing access to agency banking by the local community in Kitui central district. These included literacy levels; demographic factors; the type of economic activity engaged in; availability of financial services and the risks involved in agency banking.

The study used descriptive survey and the data collection instruments that were used were questionnaires that had both open and closed ended questions. The sample study location was carried out in Kitui Central district. The target population was bank account holders with various banks in Kitui town plus the agency banks in this area. The sample size was 70 bank account holders who transacted at the agency banks plus 30 bank agents.

The study revealed that gender and age are major factors that influence access to agency banking. Majority of the bank account holders and bank agents were male as compared to the females. More people opened bank accounts at a much older age, and most of the bank account holders and bank agents had attained at least secondary level of education. Majority of the bank customers were engaged in the personal services sector while majority of the bank agents were in the retail sector. Most of the agency banks were located in town while fewer were located in the village. Equity bank had most of the bank account holders plus bank agencies while the least number was at Family bank which is just rolling out agency banking services in the country. Majority of the respondents indicated that they felt safer transacting at the bank branches as opposed to the agency banks. Only a very small percentage was satisfied with the kind of services they received at the agency banks.

More banks thus need to venture into the agency banking business by establishing more agency banks in order to offer more cost effective ways to access financial services by the people.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background to the study

Banking agents help financial institutions to divert existing customers from crowded branches thus providing a more convenient banking channel. They also reach out to additional clients since reaching out to poor clients in rural areas is often prohibitively expensive for financial institutions especially Banks since transaction numbers and volumes do not cover the cost of a branch. Banking agents usually provide many low income people in the rural areas and residential estates in the urban areas to access a range of financial services.

Agency Banking has been able to reach out to marginalized people who lack self sufficiency and may be dependent on charity and whom did not have the saving culture instilled in them before. Marginalized people may lose their self-confidence because they cannot be fully self-supporting. The opportunities denied them also deprive them of the pride of accomplishment which others, who have those opportunities, can develop for themselves. Empowerment can thus be described as the process of obtaining basic opportunities for marginalized people, either directly by those people, or through the help of non-marginalized people who share their own access to these opportunities. Empowerment also includes encouraging, developing the skills for self sufficiency, with a focus for eliminating the future need for charity for these individuals.

Financial systems across Africa have broadened over the past years, partly benefiting from the Great Moderation and global liquidity glut, but also from improvements in macroeconomic policies and progress in institutional reforms (Beck, Fuchs and Uy, 2009).

Compared to other East African economies, Kenya's banking sector has for many years been credited for its size and diversification. Private credit to Gross domestic product (GDP) which is a standard indicator of financial development was 23.7% in 2008, compared to a median of 12.3% for Sub-Saharan Africa.

While this number is not higher than it was in 2005, it significantly improved the quality of lending (Beck, Demirgac-Kunt and Levine, 2009).

Kenya has a variety of financial institutions unlike most other countries in the region and these include markets like banks, insurance companies, stock and bond markets that provide an array of financial products. Even with this financial advantage, Kenya's financial system has failed to provide adequate access to banking services to the bulk of the population. While the larger proportion of savings comes from small depositors, lending is skewed in favour of large private and public enterprises in urban areas. Financial services are expensive due to high interest rates and account maintenance fees.

The use of agents by financial institutions in the provision of financial services has helped promote financial inclusion to the un-banked and under-banked population especially in the rural areas without risking the safety and soundness of the Banking system.

Agency banking is like answering the call for greater inclusion across the African continent. Kenya is now striding ahead in terms of agency banking. Financial inclusion is the core of the Central Bank of Kenya (CBK's) reform agenda to support Kenya's development blueprint, Vision 2030. Since the Central bank of Kenya put the agency banking model into operation in May 2010, it has granted approval to 10 Banks for rolling out of their agency networks. To date these Banks have engaged a total of 7,280 agents across Kenya.

There are several Banks in Kitui town some of which have opened shop just recently, these are namely National Bank, Barclays Bank, Co-operative Bank, Kenya Commercial Bank (KCB), Equity Bank, Family Bank, K-Rep bank and Post Bank. These financial institutions offer Banking services to the banked population within Kitui town and also to some customers who have to travel from very remote and far off areas like Ikutha, Mutha which are within the larger Kitui County. This goes to show that since most Banks are within the town, the larger population who live outside Kitui town do not have easy access to Banking services and some are forced to travel far and wide to access them.

Agency banking means that traditional banks can now recruit other businesses to offer banking services on their behalf, allowing them to have branches in areas that were not previously commercially viable.

Agent banking systems are up to three times cheaper to operate than branches due to cost saving. The reasons for these are; the bank's reduced need to invest in new infrastructure and the acquisition costs are lower for mobile-enabled agents and mobile wallets. By using mobile phones instead of payment cards, the bank can acquire customers at less than 70% of the cost a bank branch. (Clara Veniard).

Agency banking has revolutionized banking in the developing nations. At the Clinton Global Initiative (2011) meeting held in New York, Equity Bank's agency model was singled out and praised for having revolutionized banking in Kenya. Through cost-effective agency banking networks, customers can now access banking services in Kiosks around the country and especially in the remote previously unbanked areas. Agency banks offer normal banking services such as cash deposits and withdrawals, disbursement and repayment of loans, salary payments, pension payouts, transfer of funds and issuance of mini bank statements. The agency network also allows banks to reach out to new customers who can open new accounts, make deposits and even make cheque book applications.

According to CBK statistics (GOK, 2010), the regulator has licensed over 10,000 establishments to act as agent banks. Equity Bank claims to have outsourced some of its operations to 5,000 active outlets. In total CBK's data shows that 8,809 agency outlets were opened in 2010, most of which were operated by Equity and Co-operative banks. Kenya Commercial Bank (KCB) also opened around 2,500 agency branches in 2011 and Post bank aimed at opening a significantly lower number of 500 agency branches.

## **1.2 Statement of the problem**

Access to financial services is a key concern to the Kenya government. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of the branch. In such environment banking agents may rely on existing retail infrastructure and this may lower set up and running cost which will go a long way in offering many low-income people access to a range of financial services.

A large proportion of households in developing countries lack access to financial services which is an impediment to economic growth and development. Evidence shows that access to financial services, and financial development is crucial to economic growth and poverty reduction. In sub-Saharan Africa only 1 in every 5 households have access to financial services. In 2007, over 70 percent of Kenyan households did not have bank accounts or relied on informal sources of finance (Kimenyi,2009).This lack of formal financial services limits market exchanges, increases risk and limits opportunities to save. For even those with bank accounts, physical distances to branch banks add significantly to transactions costs. This study seeks to show the factors influencing access to agency banking by the local community in Kitui central district, Kenya.

### **1.3. Purpose of the study**

The purpose of the study was to evaluate the factors influencing access to agency banking by the local community in Kitui Central district,Kenya.

### **1.4. Objectives of the study**

- 1) To establish the influence of literacy levels of the local community to access agency banking.
- 2) To examine the influence of demographic factors on access to agency banking.
- 3) To assess the influence of the type of economic activity engaged in on access to agency banking.
- 4) To ascertain the availability of financial services on access to agency banking.
- 5) To establish the influence of risks involved in agency banking on its accessibility.

### **1.5 Research Questions**

- 1) To what extent have literacy levels influenced access to agency banking by the local community?
- 2) How have demographic factors influenced access to agency banking ?
- 3) How does the type of economic activity engaged in influence access to agency banking?
- 4) How does availability of financial services affect access to agency banking?
- 5) How do the risks involved in agency banking influence its accessibility?



## **1.6 Significance of the study**

In Kenya most Banks are located in the urban areas, and thus as is the norm in Kenya, a majority of people in Kitui county reside in the rural and remote areas. It has been recognized that even for the few people who have bank accounts, physical distances to the branch banks in order to access financial services makes the locals to shy away from getting into the banking system.

Traditionally, mainstream financial institutions in developing countries operated under the premise that low-income populations do not save and are bad borrowers, and therefore, institutions that provide services to the poor are essentially unsustainable. However, the microfinance revolution effectively shattered these myths by demonstrating that when poor households have access to financial services not only do they save, but they also have high repayment rates when they borrow (Kumar et al, 2006). Financial institutions that extend services to the poor unbanked households can be profitable and sustainable and this has led to banks embracing the establishment of agency banks.

This study will help financial institutions evaluate whether agency banking is a viable investment than setting up bank branches. It will also encourage more banks to establish agencies in remote areas in order to reach the untapped and unbanked rural population.

## **1.7. Delimitation of the study**

Kitui Central District has several banks like Equity, KCB and Co-operative which have established banking agencies and these formed part of the sample population. As a result many local people get access to banking facilities through these agent banks and they were also sampled.

## **1.8. Limitations of the study**

This study was constrained by financial resources and time. A lot of research was carried out within a limited period of time. The amount of data that was collected was also affected because not all the respondents that were approached participated in the study and others did not give all the expected information. I wrote letters to all the respondents to introduce the study. I also had a budget, which was a crucial tool in both the management of finances and time.

### 1.9. Assumptions of the study.

The study assumes that the variables that were used in the study were constant that is they did not change during the course of the research period and that the respondents who were interviewed, only gave the correct and valid information which resulted in valid data being collected.

### 1.10. Definitions of Significant Terms

**Agent**-is an entity that has been contracted by an institution and approved by the Central Bank to provide the services of the institution on behalf of the institution.

**Agent Banking**-is the business carried out by an agent on behalf of an institution as permitted by the banking Act.

A **Banking agent** -is a retail or postal outlet contracted by a financial institution or a mobile network operator to process client's transactions. Instead of a Bank teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets the clients make deposits, withdrawals, transfer of funds or direct deposits.

**Empowerment**- can be defined as the increasing of the spiritual, political, social, educational, gender or economic strength of individuals and communities.

**Economic empowerment**- is the empowering of previously disadvantaged sections of the population, or mobilizing the self help efforts of the poor in a community by providing them with social welfare.

**Unbanked**- persons or people without access to financial services, savings products, payment solutions, investment channels and credit products.

**Under banked**-persons, people or businesses that have poor access to mainstream financial services such as banks and so rely upon alternative services targeted at poor people such as loan sharks or shylocks.

### 1.11 Summary

This chapter highlights the background of the study, taking into consideration the assumptions of the study, statement of the problem, the objectives of the study and research questions. By answering these research questions, the objectives of the study were achieved under the study.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

The literature review in this chapter was on agency banking. In this study the literature review focused on what other researchers have contributed in this area and the effects agency banking has had on economic empowerment of unbanked and underbanked Kenyans and also in Africa.

In this chapter we looked at the concept of agency banking in details and also why banks choose to use agents to offer financial services on their behalf.

### 2.2 The concept of Agency Banking

Banks and other commercial financial service providers are finding new ways to make money, by delivering financial services to the unbanked and underbanked people. Instead of using bank branches and their own field officers, banks are now offering financial services and payment services through postal and retail outlets including local grocery stores, pharmacies, petrol stations among others. For poor people especially in the rural areas, agency banking through retail agents may be far more convenient and efficient than going to a bank branch. It also helps many poor unbanked and marginalized people access formal financial services for the very first time.

Branchless banking works because of the information and communication technologies that customers, retail agents and banks use to record and communicate transaction details quickly, reliably and cheaply over vast distances. In the rural areas, many poor people have access to low-cost mobile phones which they can use to transfer money from one person's account to another. They can use an airtime dealer to exchange cash for electronic value in a bank account and to change electronic value back into cash.

Access to finance is limited in Kenya, as is the case with most developing countries. In 2007, an estimated 19% of the adult population had access to formal financial services through banks, with 8% percent were served by microfinance institutions (MFIs) and savings and credit cooperatives (SACCOs). According to a 2009 survey, an estimated 40.5% of adults in Kenya were formally served by banks as well as non bank financial institutions such as MFIs and SACCOs. (CGAP Research, 2009). Use of non-bank financial institutions has more than doubled from 7.5% in 2006 to 17.9%.

The low access figures are due to the fact that banking is expensive in Kenya. A 2007 survey of barriers to banking using data from 62 countries, indicates that minimum account balances required by Kenyan banks are quite high. The average minimum balance in Kenya equals to 44% of gross domestic product (GDP) per capita, versus the 62 country average of 8%. Annual account maintenance fees in Kenya are also high at 2% of GDP per capita versus 0.38% in other African countries.

Kenyan banks have limited infrastructure for reaching out to customers. As at December 2008 there were 876 bank branches and 1,424 automated teller machines (ATMs). (Fin Access Survey, June 2009). 40.5% of adult Kenyans are served by formal financial institutions.

For banks, branchless banking through retail agents is used to radically reduce the cost of delivering services, relieve crowds in bank branches and to establish a presence in new areas. The set up cost of a retail agent in Brazil can be as little as 0.5% of the cost of setting up a bank branch (Kumar et al, 2006). In Brazil and India, banks also use retail agents to help meet political or regulatory requirements to distribute credit in low income and rural areas that they could profitably serve with conventional branch based banking.

Retail agents may have the best commercial reason to be involved, because conducting cash transactions for banks and non-banks earns them transaction fees, turning idle cash and underutilized staff into new revenue generators. Retail agents also gain business from the increased foot traffic of customers coming for financial services.

### **2.3 Banks Use of Agents.**

In November 2009, Kenya amended the Banking Act to include provisions on financial institutions' use of agents to provide banking services (Finance Bill, 2009). Prior to the 2009 amendment, the Banking Act did not specifically address the issue of banks using agents to carry out banking activities, nor were there any regulations explicitly governing the outsourcing of functions by banks. CBK instead, approved such arrangements on a case by case basis.

The amended law establishes "agency" as an entity contracted by an institution and approved by the Central bank to provide the services of the institution on behalf of the institution, in

such a way or manner that may be prescribed by the Central bank. Agents may be engaged in the regulations to be issued by the CBK. These regulations facilitate the use of third-party agents by banks to provide banking services, but present a cautious approach to the expansion of agent models. Banks may also need to obtain annual approvals from CBK as to the overall use of agents. They would also need to provide CBK with details about engaging particular agents, including names, locations, pre-existing commercial activities, a sample contract and the services to be rendered. Banks would also need to obtain CBK approval before closing any agent locations and this would only be permitted for only particular reasons or offenses, in the interests of reputation and service continuity.

The basic requirements for entities to be permitted to become agents are;

- a) An agent must be a commercial entity that is either a sole proprietorship or a partnership and must have carried out commercial activities for a period of at least two years.
- b) Banks also remain solely responsible for the actions of the agent and for all compliance responsibilities with technical specifications for example two-factor authentication, real time coded transmission and ability to generate an audit trail.

Agents should be able to offer a range of services including cash-in, cash-out, bill payments, balance enquiries, mini-statements, collection of account opening paperwork and loan application forms. However, agents are not able to open accounts or appraise loans on behalf of banks or even exchange foreign currency. Agents are also not allowed to charge customer fees.

These requirements ensure that an appropriate level of consumer protection including mechanisms to enable customers to identify agents, the issuance by agents of receipts for all transactions, a free channel to lodge complaints plus speedy complaint settlement process and confidentiality protections are achieved.

Banking agents are usually equipped with a combination of point-of-sale (POS) card reader, mobile phone, barcode scanner to scan bills for bill payment transaction, personal identification number (PIN) pads and sometimes personal computers that connect with the bank's server using a personal dial-up or other data connection. Customers that transact at the

agent use a magstripe bank card or their mobile phone to access their bank account. Identification of a customer is usually done through PIN. In view of the transaction verification, authorization and settlement platform, banking agents are similar to any other remote bank channel.

Regulators like CBK usually determine if financial institutions are allowed to work through retail outlets. These regulators usually determine what kind of financial institutions are permitted to contract banking agents, what products can be offered at the retail outlets, how financial institutions have to handle cash transport, KYC – know your customer requirements, consumer protection and other operational areas.

Banking agents help financial institutions to divert existing customers from crowded branches by providing a convenient channel. For financial institutions, reaching poor clients is usually very expensive since the cost of the branch is not covered by the transaction numbers and volumes. Banking agents thus offer much low income earning people their first time access to a range of financial services. These people also feel more comfortable banking at their local retail outlets or shops than in banking branches in urban areas.

Banking agents are usually the backbone of mobile banking that is in performing transactions over a mobile phone. For customers to be able to convert money (cash) into electronic money and vice versa which can be sent through their mobile phones, clients usually have to visit a bank branch. Automated teller machine (ATM) or banking agent. In remote areas and also rural areas, mobile banking service providers usually rely on banking agents to enable clients to effectively use the service, since money is still used as a very important transaction tool.

#### **2.4 Agency banking in other countries.**

There are a number of countries that have adapted the use of agency banking in order to reach out to the unbanked and the rural poor and marginalized people. Some of the countries that have embraced agency and branchless banking are; Brazil, India, Philippines and right here in Africa we have South Africa and Kenya.

#### **2.4.1. Agency/Retail Banking in Brazil.**

In Brazil, private and state owned banks deliver financial services through retail agents including small supermarkets and pharmacies, post offices and lottery kiosks (Kumar et al, 2006). These agents are called “banking correspondents”. In the year 2000 more than a quarter of Brazil’s municipalities that is 1,600 out of a total of 5,800 municipalities lacked access to formal banking services, but all these had changed by the year 2003, when all municipalities had access to formal banking services through the use of banking correspondents. By the end of the year 2005, nearly 58,000 banking correspondents were already operating in Brazil according to Brazil’s central bank (Felt rim, 2006).

The banking correspondent model has been developing since the year 2000, when the Brazilian state owned bank, Caixa Economica Federal gained the rights to offer bill payment services through the large national lottery outlet network. Customers of Caixa Economica Federal can open and deposit money in a current account, make person to person transfers and get loans using simple bankcards and card readers at over 12,000 lottery outlets, supermarkets and even butcher shops.

#### **2.4.2. Agency Banking in India**

In January 2006, India’s Central bank-The Reserve Bank of India(RBI), issued a circular permitting banks to use post offices and specialized microfinance institutions (MFIs), including non profit organizations (NGOs), co-operatives and for companies as retail agents. The circular issued by RBI calls these agents “business correspondents.

Although India’s second largest bank, ICICI and several other private sector banks had already used MFI’s as retail agents for disbursing and collecting loans (Harper and Kirsten 2006), banks may now use MFIs and post offices to perform other task including collecting small value deposits.

Since the circular was issued by the Reserve bank of India (RBI), MFIs have been handling deposit collection on behalf of banks.

### **2.4.3. Agency banking in South Africa.**

Branchless banking through retail agents is only permitted for licensed financial institutions in South Africa. Non banking institutions are prohibited from accepting public deposits which are broadly defined, thus mobile phone operators who are interested in branchless banking have created joint ventures with licensed banks to offer cell/mobile phone based banking.

A technology firm WIZZIT, became a division of the South African Bank of Athens to be able to offer mobile phone and card based bank accounts for the unbanked (CGAP, 2006). WIZZIT offers deposit, withdrawal, payment and airtime purchase services through a combination of the mobile phone interface, automated teller machines (ATMs), branches of ABSA Bank (South Africa's largest bank) and post offices.

MTN banking which is a competitor is in a joint venture of a leading mobile operator, MTN and Standard bank. WIZZIT and MTN do not use retail agents except post offices, to handle cash on their behalf. South Africa is a vital reference in agency banking because of network operator's interest in branchless banking and the regulatory interpretation that forced joint ventures with banks to be able to offer mobile phone and card based accounts for the unbanked.

### **2.4.4. Agency banking in the Philippines.**

Mobile network operators, Globe Telcom and SMART have been offering branchless banking in the philippines since the year 2000. Globe Telcom's G-cash service which is an e-money account tied to a mobile phone subscriber information module (SIM card). The customers account can be loaded and unloaded by depositing or withdrawing cash at a wide range of retail agents and the mobile operator's own dealers (CGAP, 2006).

Customers can store cash in the form of e-money, send funds from person to person, pay bills and make loan repayments and also purchase goods in shops using the e-money value in their G-cash accounts. Most of the 1.3 million users usually buy airtime and send money to friends and family with the service.

## **2.5. The Bank Led Model of Agency Banking**

The most basic version of the bank-led model of branchless banking is where a licensed financial institution i.e. a bank delivers financial services through a retail agent. The bank



typically develops financial products and services, but distributes them through retail agents who handle most customer interactions.

The bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. Retail agents usually perform face to face interaction with customers and they also perform cash in and cash out functions, just a branch based teller takes deposits and processes withdrawals.

In some countries, retail agents also handle all account opening procedures and also follow up customers who have loans to ensure that they are being serviced. Any business outlet that handles cash and is located near customers could serve as a retail agent. The retail agent is usually equipped to be able to communicate electronically with the bank which it's working for. The equipment used to communicate with the bank may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards (Owens, 2006). Once a customer's account is opened or a loan approved, the customer then goes to the retail agent to either conduct all or certain financial transactions. The retail agent first checks the customer's identification documentation and upon confirmation that the documents are in order, the agent then processes the transaction by first debiting the customer's account and then crediting the payee's bank account or if it's a transfer of funds between accounts.

Unless the transaction involves transfer of funds between accounts, cash is either deposited to or withdrawn from the retail agent's cash drawer. An electronic record of the transaction is either routed directly from the retail agent to the bank or is handled by a payment processing agent who settles the transaction between the customer's account and the payee's account.

In some countries like Brazil, banks may contract management companies to identify, contract, equip and monitor retail agents on behalf of the bank. In most cases the management agents assume liability for cash handled by the retail agent, but in case of fraud the bank is usually fully liable to the customer in the case of fraud or negligence by the retail agent. In some instances, a payment processing agent may settle transactions among different banks.

## **2.6. The Non Bank led Model of Agency Banking.**

In this model of branchless banking, customers do not deal directly with the bank and they do not also maintain a bank account. In some instances a bank may not be involved at all. Here

customers deal with a non bank firm, this may either be a mobile network operator or prepaid card issuer and the retail agents serve as the point of customer contact.

Instead of customers depositing money into and withdrawing money directly from a bank account, they exchange their cash for e-money stored in a virtual e-money account on the non bank's server, which is not usually linked to a bank account in the individual's name.

E-money is a stored value or prepaid product in which a record of the funds or value available to the customer for multipurpose use is stored on an electronic device in the consumer's possession (Bank for International Settlements, 2004). Customers usually exchange cash for the value stored in a card or a mobile phone –based virtual account. Customers can thus send this e-money to others, use it to make purchases or also use the e-money account to store funds for future use. They can also convert the e-money back to cash at any participating retail agent.

The non bank led model usually performs roles similar to that of a bank led model in that; it designs financial and payment products, contracts retail agents directly or through intermediaries and also maintains customer e-money accounts. On bank e-money issuers like Globe Telkom, Safaricom and others usually track and maintain customer level account balances in their own data systems. In the case where the non bank agent is a prepaid card issuer, it usually issues point of sale (POS) card readers and other equipment to retail agents.

If the non-bank agent is a mobile operator, it generally has pre-existing relationships with retail agents and with the many customers whom it provides with mobile phones or the mobile phone service. Mobile phone customers can conduct transactions wherever they have mobile network coverage and may only need to visit a retail agent only for transactions that involve depositing or withdrawing cash (CGAP, 2006).

Retail agents in the non bank led model of retail banking also perform the same basic functions as in the bank led model. They take in and also disburse cash using mobile phones or point of sale(POS) card readers to record transactions.

When a customer hands over cash to increase their e-money balance, the retail agent keeps the cash in exchange for some of their own e-money. Thus unlike in the bank led model, the

settlement takes place with e-money and not funds in the bank accounts. This usually poses a certain risk for both the customer and the retail agent as well.

Commercial banks are used in this non bank led model only as a place to hold the net proceeds of issuing e-money and also as a way of earning a return on the funds for example Safaricom Limited usually pools its e-money account proceeds in a wholesale deposit at the Commercial Bank of Africa(CBA). Mostly there are no regulatory barriers to the non bank agency holding the net e-money proceeds in some other form of investment which is considerably less safe and less liquid than a conventional wholesale bank deposit or even using it for lending.

## **2.7. The Risks involved in Bank led model and non bank led model of agency**

### **Bankng**

Compared to conventional branch based banking, both models that is the bank led model and the non bank led model, deal with issues touching on traditional bank regulation and supervision. They substantially outsource a potentially infinite array of different types of retail agents.

Non bank models also accept repayable funds from retail customers by non bank entities that are not subjected to prudential regulation and supervision, and these are referred to as e-money risks. The regulators task is to try and eliminate these risks and also to balance them with the benefits of branchless banking including expanded outreach of financial services.

### **2.7.1. Agency Banking Related Risks**

Regulators may find that entrusting retail customer contact to the types of retail agents that are used in the bank led and non bank led models riskier than these same functions in the hands of bank tellers in a conventional bank branch (Basel Committee on Banking Supervision, 2006). These retail agents usually operate in hard to reach or dangerous areas and they usually lack physical security systems and specially trained personnel like bank tellers. The lack of specially trained personnel may be a problem, especially if retail agents' functions range beyond the cash depositing and withdrawals transactions that typical bank tellers perform and include a role in credit decisions.

Agency banking in general has more risks than the conventional branch based banking. Banking regulators recognize several categories of risks that bank regulators and

supervisors seek to mitigate (Basel Committee on Banking Regulation, 2003). The use of retail agents raises special concerns regarding consumer protection and compliance with rules for combating money laundering and financing terrorism. The five major risks are elaborated further herebelow;

**Credit Risk-** this is the risk that one party to a financial transaction will not receive the money they are owed when it is due. Opportunities for credit risk multiply when banking transactions are not settled immediately and additional parties are interposed between the customer and the bank. In a bank branch for example, when a customer makes a deposit into their bank account they immediately receive a deposit receipt at the bank branch and are usually certain that the funds have been credited into their account and are available for withdrawal when required. When a customer deposits money into their bank account through a retail agent, even if they are given a transaction receipt, there is always the risk that the transaction may not be communicated to the bank and their account may not be credited. On the other hand, when a retail agent processes a transaction for a cash withdrawal for a customer, the agent takes the credit risk that the bank may not reimburse the money that was disbursed from their till in case of fraud.

Credit risk may also be faced by institutions with agent assisted banking whenever they have to collect customer deposits or payments from their retail agents. They also face the risk whenever they decide to grant a customer a loan and this may be enhanced if the bank has outsourced some or all aspects of loan underwriting or collection to the bank's agents.

**Operational risk-** These are the potential losses resulting from inadequate or failed internal processes, people, systems or from external events. For bank and non banking institutions that use retail agents and rely on electronic communications to settle transactions, there are a variety of potential operational risks that may arise. An example is where customers or retail agents could commit fraud, or a bank's equipment or some other property could be stolen from a retail agent's premises. Financial loss for banks or non banks and for customers as well can occur from data leaks or data loss from internet hacker attacks, inadequate physical or electronic security, or poor back up systems. An example of Brazil which has had the longest experience with agency banking suggests that operational risk is significant. Banks in Brazil have reported

losses, which occur with great predictability especially when word get round that a particular agent is handling an increased amount or volume of cash (Kumar et al, 2006).

**Legal risk-** Financial institutions will only invest in a new delivery model only if they can predict and manage how relevant laws, regulations and legal agreements will be applied and enforced and how they may change over time. In most countries where agency banking has been established there has been undoubtedly devoted significant effort in researching the relevant laws and regulations, before investing in an agent-assisted branchless banking approaches and in most cases they also consult with regulatory authorities to understand better how authorities were likely to apply existing rules to the new model (Kumar et al, 2006). However there is still some level of legal and regulatory uncertainty and ambiguity when it comes to agency banking since its relatively new in the market, but once a model becomes widely used in a country, these uncertainties and ambiguities could take on a systemic dimension if for example this may be evident if several banks with significant operations conducted through retail agents suddenly face an unfavourable interpretation that challenges their authority to transact business through retail agents or the enforceability of related legal agreements.

**Liquidity risk-** Retail agents especially those that are relatively small, remote and unsophisticated may not have enough cash to meet customers' requests for withdrawals and may also lack experience in the more complex liquidity management that is required for offering financial services. To manage the risk of liquidity effectively, retail agents must balance several variables, including cash turnover, ease of access to the retail agent's bank account plus processing of transactions.

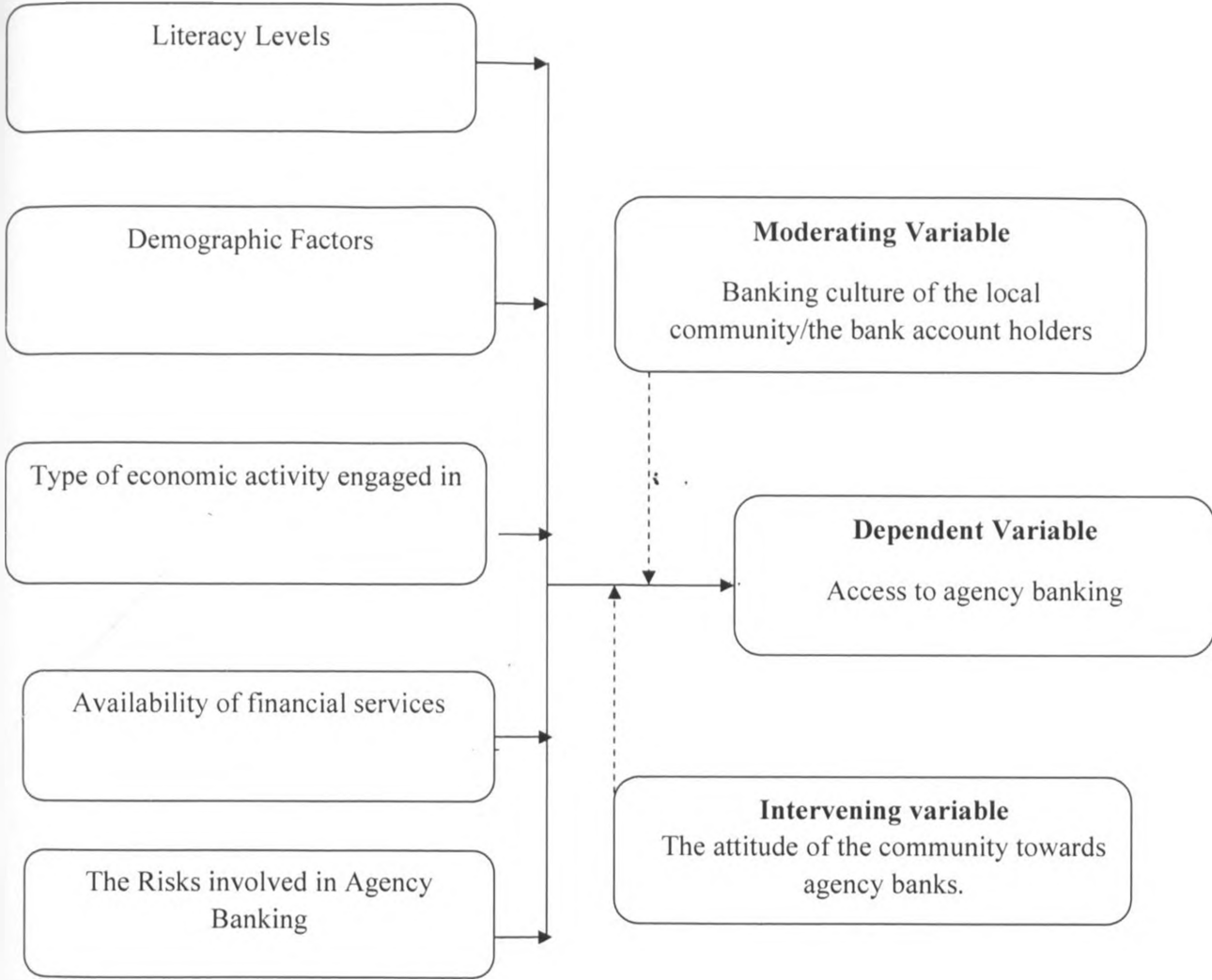
**Reputational risk-** When retail agents underperform or are robbed, the banks' public image may suffer. Many operational risks such as loss of customer records or the leakage of confidential customer data may also cause reputational risk, and this can also lead to liquidity shortfalls in the cash held by the retail agents (Basel committee on Banking Supervision, 2003). Reputational risk should not be underestimated since retail agents may be inexperienced in providing financial services, may not be accustomed to maintaining adequate cash to settle customer transactions and they may also lack the physical security to protect the increased levels of cash they have on hand and this may directly affect the bank's reputation.

**Consumer Protection risk-** Any category of risk triggers consumer protection concerns especially if the resulting loss falls on customers. Use of banking agents may also increase the risk that customers will be unable to understand their rights and may press charges or claims when aggrieved. Customers are usually protected against fraud by the laws and regulations set by the financial regulators like the central bank. It may not be obvious to most customers that they should hold the bank or the bank agents liable if they suffer a loss. Poor, remote or marginalized people may find it particularly difficult to understand their rights and to press a claim through a court of law or through the bank's own claims and resolution mechanisms.

**The risk of anti-money laundering and combating financing of terrorism(AML/CFT)-**whenever an account opening and transaction processing is outsourced to bank/retail agents, the AML/CFT regulations generally require that agents should conduct some aspects of customer due diligence and suspicious transaction reporting. The bank usually bears the risk when customers are not properly identified and they may use the bank agent to launder money or channel funding to terrorists, sometimes with or without the bank agents knowledge or complicity. It may also be difficult for the bank to observe and report suspicious transactions if account opening and retail transaction processing are outsourced through bank agents.

The conceptual framework for the study is based on the independent variables of the objectives of this study.

**Independent Variables**



**Figure 1. Conceptual Framework**

The conceptual framework for the study is based on the variables of the study. The diagram shows the how independent variables, the different factors which influence the access to agency banking by the local community and how they are affected by moderating and intervening variables. The intervening and moderating variables have an effect on the access to agency banking.

## **2.8. Moderating Variables**

The above factors refer to the independent variables according to the conceptual framework and will elaborate further on why the banking culture of the local people influences whether they hold bank accounts thus influencing their economic empowerment.

From the literature review most marginalized people especially in the rural areas lack access to financial institutions and thus are mostly under banked or unbanked.

## **2.9. Summary**

In general, the data suggests that banking agents usually provide many low income people in the rural areas and residential estates in the urban areas to access a range of financial services. Agency banking has also been able to reach out to the marginalized people who usually lack self sufficiency and thus instils in them a saving culture thus economically empowering them.



## **CHAPTER THREE:RESEARCH METHODOLOGY**

### **3.1.Introduction**

The research process that is described below,documents the factors influencing access to agency banking by the local community who were initially unbanked or underbanked.

This chapter describes the procedures that were used in conducting the research.It contains the research design,location, target population,sample and sampling procedure,research instruments,validity and reliability of instruments of data collection and data analysis procedure.

### **3.2. Research design**

The research design that was used in this study was descriptive survey. Survey research design seeks to obtain information that discloses existing phenomenon by asking individuals about their perception, attitude and behaviour.

The study was aimed at collecting information from the respondents in relation to the impact agency banking has had on their economic empowerment.

### **3.3. Target Population**

A research population is generally a large collection of individuals or objects that is the main focus of the study query and have similar characteristics (Castillo,Joan Joseph,2009).Research is thus done for the benefit of the population.

A target population is the entire group of individuals or objects to which the researchers are interested in generalizing the conclusions.The target of the study was bank account holders with the various banks in Kitui town who usually transact at the bank's agencies situated in Kitui Central district.The study was to get information from the various banks in Kitui town that have retail or agency banks.The respondents were drawn from the agencies of these various banks.

### **3.4. Sample Study Location**

The study was carried out in Kitui Central district. It was chosen because of its convenience and also because most of the banks have their agency banks located here e.g. KCB, Co-op Bank, Equity and Family bank are located within the town where I was undertaking my course.

### **3.5. Sample Size and Sampling Procedures/Techniques**

A sample is a finite part of a statistical population whose properties are studied to gain information about the whole. The basic idea of sampling is to select some elements in the population, from which conclusions about the entire population can be drawn. The reasons for sampling in this study were so as to lower the cost of the study and enhance greater accuracy.

Convenience sampling technique was used where the target was bank customers who do their transactions at the various bank agencies. It also engaged the owners of the various retail agents so as to get information on the kind of clientele they deal with. The study employed this technique because it has the power in selecting information rich cases for in depth analysis of issues related to agency banking.

Out of the various agency banks operated by four different banks a sample of the customers was selected to participate in the study. A simple random sampling was used to select the bank customers who transact at the various agencies. The number of bank account holders/bank customers that were sampled was 19 customers at KCB, 33 at Equity, 14 at Co-op bank and 4 at Family bank. This yielded a sample size of 70 bank account holders who were sampled in this study.

A total number of agency owners and their assistants was also sampled in this study yielding a total number of 30.

### **3.6. Data Collection Instruments**

The data collection instruments that were used in this study were questionnaires. The questionnaire items were derived mainly from the research objectives and research questions and partly from the literature review. The questionnaires had both open and closed ended questions and were self administered where the respondents were expected to answer on their own.

The target group may not always be articulate with their answers due to lack of information and experience and in cases where the respondents had difficulties, I administered the questionnaires with help from my research assistant. The questionnaires had multiple choices so as to avoid vague answers from the respondents.

### **3.7 Pilot Study**

A pilot study was carried out in Kitui town. The choice of the town was adequate because it shares geographical, cultural and economic characteristics with the larger Kitui Central district. This enabled the survey questions to operate well. It also ensured that the research instruments functioned well. The questionnaires were administered to respondents who have bank accounts and usually transact at the bank agencies and also the agency bank owners. The pilot study helped me to identify items that were inadequate for measuring the variables.

### **3.8. Validity of the Instrument**

Validity is defined as the accuracy and meaningfulness of inferences that are based on the research results Mugenda (1999). It also indicates the degree to which an instrument measures the construct under investigation. The questionnaire was designed to tap information from the respondents and was supposed to measure this.

Validity is an indication of how sound the research is. This study used content validity because it measures the degree to which the sample of test items represents the content that they are designed to measure. Some of the items from the pilot study were modified and others discarded to improve the quality of the instrument thus increasing the validity.

### **3.9. Reliability of the research instrument**

Reliability is a measure of the degree to which an instrument yields or gives consistent results or data after a repeated trial (Mugenda, 2003). The split half test was used to measure reliability of the instrument or consistency of instrument items.

To ascertain the reliability of the instrument, I carried out a pilot study (pre-testing) by using a split half test method on the respondents from Kitui town, by testing half the sample size. The time span between the first administration and the second administration was two weeks. The instrument was then improved after the first half of the sample was tested.

### 3.10. Data Collection procedures

I obtained an introduction letter from my employer, National bank of Kenya Ltd and proceeded by using the letter to seek permission from the various banks in Kitui town that have agency banking to allow me to collect data. I then proceeded to the field to collect data and I was assisted by a research assistant to personally visit the target population and distribute the instrument to the respondents. The questionnaires were distributed to the respondents who were given a day to respond to the instrument. Any information or observation provided by the respondents that was not specifically in the instrument but found necessary was captured in the interview schedule. Information collected was treated with confidentiality.

VARIABLE	TYPE OF VARIABLE	INDICATORS	MEASURE	SCALE OF MEASUREMENT	TOOLS OF ANALYSIS
1. Access to agency banking by the local community	Dependent	The number of people with bank accounts also the unbanked and under banked people	Number of bank customers	Ordinal	Descriptive
2. Literacy levels	Independent	The number of people who have access to financial services	The number of bank customers who are enlightened about the need for financial services	Ordinal	Descriptive
3. Demographic factors	Independent	Number of customers with bank accounts based on gender and age.	The number of males and females that have bank accounts.	Ordinal	Descriptive
4. The type of economic activity engaged in.	Independent	The number of people working in a certain economic sector who have access to financial services or have bank accounts.	Number of customers using banking services.	Ordinal	Descriptive
5. Availability	Independent	The number of	Number of	Ordinal	Descriptive

of financial services		people who have access to financial services offered by bank or bank agents.	customers who have bank accounts.		
6. The risks involved in agency banking.	Independent	The factors, challenges and risks faced by the people who bank through bank agents.	The risks faced by bank agents and their customers.	Ordinal	Descriptive.

**Table 3.1.Operationalization of variables**

**3.11. Data Analysis**

After administering the questionnaires, the raw data collected from the field was systematically organized so as to facilitate data analysis. Descriptive analysis was done to test the hypothesis. The data was then analysed through a Statistical Package for Social Sciences (SPSS) to ascertain the reliability of the instrument.

Completed questionnaires were then edited for completeness and consistency. Data obtained from the open ended items in the questionnaire was categorized according to what is relevant to the study.

		VARIABLES		
NO.	RESEARCH QUESTIONS	INDEPENDENT	DEPENDENT	METHOD OF DATA ANALYSIS
1.	To what extent have literacy levels influenced access to agency banking by the local community?	Agency banking	The number of people who have bank accounts/the unbanked and under banked people due to their levels of literacy. The number of people have access to financial services due to literacy levels	Percentages Frequencies
2.	How have demographic factors influenced access to agency banking?	Agency banking	The number of males and females who have access to financial services or bank accounts based their age.	Percentages Frequencies
3.	How does the type of economic activity engaged in influence access to agency banking?	Agency banking	The number of people working in a certain economic sector who have access to financial services or bank accounts.	Percentages Frequencies

4	How does availability of financial services affect access to agency banking?	Agency banking	The number of unbanked and under banked people due to accessibility to financial services.	Percentages Frequencies.
4.	How the risks do involved in agency banking influence its accessibility?	Agency banking	The factors challenges and risks faced by the people who bank through bank agents and the risks bank agents face.	Percentages Frequencies

**Table 3.2. Variables and methods of data analysis**

### 3.12. Ethical considerations

The study was to observe ethics in research. This included treating all the information from the respondents with ultimate confidentiality. The researcher sought permission from the respondents and explained to them how the information collected would be important to banks and help in setting up more agency banks to reach out to more marginalized people thus economically empowering them.

### 3.13. Summary

This chapter highlights that the study adopted a descriptive survey design to assess the impact of agency banking on economic empowerment of the marginalized local people. Systematic random sampling was done in order to give every entrepreneur an equal chance of being represented. Questionnaires were used as tools for data collection and they were tested for validity and reliability. This study maintained the utmost confidentiality about the respondents. The respondents were also given free will to participate and contribute to the study.

## CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

### 4.1 Introduction

This chapter presents the findings from the data collected, from the customers who use agency banking services and the agency bank owners in Kitui central district and on the factors influencing access to agency banking. The study sampled 70 respondents who are customers at the various agency banks in Kitui and 30 bank agents. The data was interpreted according to the research questions. The analysis is done through descriptive statistics and the findings of the study are presented in form of frequency tables, percentages, graphs and pie charts.

### 4.2. Response Rate based on demographic factors

Out of the 75 questionnaires distributed to the bank customers in Kitui Central, 70 were returned which is a rate of 93.3% response rate. In terms of gender the male and female customers who were interviewed, the questionnaires were returned as follows;

Gender	Questionnaires Issued	Questionnaires Returned	Response Rate	Response Rate per questionnaire
Male	43	40	57.2	57.3
Female	32	30	42.8	42.7
Total	75	70	100	100

**Table 4.1 Response rate based on gender of bank Customers**

According to the table 4.1 above, more men participated in the study as compared to women. 57.2% of the total questionnaires distributed were filled by men while the women accounted for 42.8% of the total questionnaires distributed. The response rate was 100%, meaning that all the questionnaires that were issued were returned although five of them were not complete.



According to the table 4.2 below, 56.7% of the total questionnaires were filled by male respondents while 43.3% were filled by female respondents. Out of the 35 questionnaires that were distributed, 30 of them were complete while 5 were incomplete.

Gender	Questionnaires Issued	Questionnaires Returned	Response Rate	Response Rate per questionnaire
Male	20	17	56.7	57.1
Female	15	13	43.3	42.9
<b>Total</b>	<b>35</b>	<b>30</b>	<b>100</b>	<b>100</b>

**Table 4.2 Response rate based on Bank agents**

#### 4.3 Composition of respondents by age

Table 4.3 below shows that people between the age of 31-40 years formed the bulk of the bank account holders. The highest percentage at 45.7% of respondents was between the ages of 31-40 years while the lowest percentage of 12.9% was the ones below 18 years. This may be because the people below 18 years are more likely to be in school than in business and are also not likely to have much time to perform transactions in the bank.

Age Bracket –Years	Frequency	Percentage
Below 18	9	12.9
19-30	17	24.3
31-40	32	45.7
41-50	12	17.1
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.3 Composition of bank customers by age**

Table 4.4 below shows that majority of the bank agents were between the age of 41-50 years making 53.3% of the total number of respondents while there were none below the age of 18 years. This is because people in the age bracket of 41-50 years and also 31-40 years are more likely to be established in their own businesses while people below the age of 18 years are likely to still be in school.

Age Bracket –Years	Frequency	Percentage
Below 18	0	0.00
19-30	1	3.3
31-40	13	43.4
41-50	16	53.3
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.4 Composition of bank agents by age**

#### 4.4 Composition of respondents by level of education

Data based on the level of education of both the bank customers and the bank agents is illustrated in tables 4.5 and 4.6 below.

Level of education	Frequency	Percentage
Primary	19	27.1
Secondary	33	47.1
Technical & Vocational	14	20.0
University	4	5.8
Others	0	0.00
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.5 Composition of bank customers by level of education**

The table 4.5 above shows that 47.1% of the bank customers interviewed had attained secondary level of education while those who had attained university level of education were only 5.8% and this may be explained by the fact that university graduates are more likely to be in formal employment. Those who had only attained primary level of education formed 27.1% of the total respondents interviewed.

Level of education	Frequency	Percentage
Primary	1	3.3
Secondary	7	23.3
Technical & Vocational	12	40.0
University	10	33.4
Others	0	0.00
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.6 Composition of bank agents by level of education**

The data in the table 4.6 above shows that most people engage in business and operate bank accounts after completing their secondary school education and this formed 23.3% of the bank agents interviewed. These also include people who have attained some form of technical training and university education, these formed 40% and 33.4% of the total number of respondents respectively.

#### 4.5 Composition by type of economic activity engaged in

This was to establish the type of economic activity that the bank customers and bank agents engaged in. This is illustrated in the tables 4.7 below

Economic Activity	Frequency	Percentage
Personal services	36	51.4
Building & Construction	22	31.4
Retail	7	10.0
Agriculture	5	7.2
Transport & Communication	0	0.0
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.7 Composition of bank customers by type of economic activity engaged in**

Data from table 4.7 above reveals that majority of the bank customers who transact at the agencies that is 51.4% engage in personal services which includes hotel business, salons and shops. The rest engage in the building and construction business making 31.4% and also retail business which includes hawking, small shops and kiosks which was 10% of the respondents.

Economic Activity	Frequency	Percentage
Retail	12	40.0
Personal Services	9	30.0
Wholesale	6	20.0
Agriculture	3	10.0
Transport & Communication	0	0.0
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.8 Composition of bank agents by type of economic activity engaged in**

Data from table 4.8 above shows that 40% of the bank agents engage in retail business which includes small shops and kiosks and this is where majority of the agency bank customers can transact from. From the data collected the agricultural sector is not popular since the bank agents need a premises to operate from with 10% of the total respondents interviewed

#### 4.6 Composition by monthly income earned

This was of significance to establish how income earned determines the success of agency banking. This is illustrated in table 4.9 below.

Monthly Income bracket	Frequency	Percentage
Below 10,000	2	6.7
10,001-20,000	7	23.3
20,001-30,000	10	33.3
30,001-40,000	8	26.7
40,001-50,000	2	6.7
Above 50,000	1	3.3
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.9 Composition of bank agents by monthly income earned**

Data from the table 4.9 above shows that 33.3% of the bank agents make a monthly income of between 20,000 to 30,000. The lowest percentage of 3.3% is those earning a monthly income of above 50,000. This is because majority of the bank agents are in retail business thus make an average monthly income.

#### 4.7 Location of Enterprise/business

Location of a business is very important when it comes to the success of agency banking because it determines access to financial services and the market.

Location of business	Frequency	Percentage
Town	20	66.7
Village	10	33.3
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.10 Location of the bank agents**

According to the table 4.10 above 66.7% of the bank agents operate within the town thus easing up congestion in the bank premises thus creating convenience of transactions for the customers.33.3% are located in the village thus reaching out to the underbanked and unbanked people.

Location of customers	Frequency	Percentage
Town	45	64.3
Village	25	35.7
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.11 Location of bank customers**

According to the the table 4.11 above majority of the customers who transact at the bank agencies live within town comprising 64.3% while those who live in the village formed 35.7% of the total respondents and this explains why more bank agents are also located in town.

Account Holders or not	Frequency	Percentage
Bank Account holder	45	64.3
Non account holder	25	35.7
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.12 whether the customers are account holders or not**

The data from the table 4.12 above majority of the customers transacting at the bank agencies were bank account holder forming 64.3% of the total customers interviewed while 35.7% were mostly agents sent to transact on behalf of the account holders who may be engaged in daily operations of their businesses.

Account holders or not	Frequency	Percentage
Bank account holder	29	96.7
Non Bank account holder	1	3.3
<b>Total</b>	<b>30</b>	<b>100</b>

**Table 4.13 Whether the bank agents are bank account holders or not**

The data from the above table 4.13 shows that majority of the bank agents are bank account holders forming 96.7% of the total number of bank agents interviewed, meaning banks usually give agency business to their own customers.

#### 4.9 Composition by the bank where account is held

This helped to establish the banks which had more customers and were more established in agency banking.

Bank where account is held	Frequency	Percentage
KCB	19	27.1
CO-OP	14	20.0
EQUITY	33	47.2
FAMILY	4	5.7
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.14 The bank where customers hold accounts**

According to the table 4.14, 47.2% of the bank customers have accounts at Equity bank followed by KCB has 27.1% while the bank with the least number is Family bank with just 5.7% and this may be because family bank is just newly establishing agency services countrywide.

The table 4.15 below shows that majority of the bank agents have accounts at Equity bank making 46.7% while the lowest number is at Family bank making 3.3%. This may be because Equity bank is more established in agency banking as compared to Family bank. KCB and Co-op bank formed 26.7% and 23.3% of the total respondents interviewed. These two banks are also well established in the agency banking business.

Accounts held account at	Frequency	Percentage
KCB	8	26.7
CO-OP	7	23.3
EQUITY	14	46.7
FAMILY	1	3.3
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Table 4.15 Where bank agents hold accounts**

#### 4.10 Composition by how long the bank account has been in operation

This helped to establish how long the customers have maintained their bank accounts at the various banks. This is elaborated in the table 4.16.

Period accounts held for	Frequency	Percentage
Less than a Year	9	12.9
1-2 Years	17	24.3
3-5 Years	32	45.7
Over 5 Years	12	17.1
<b>Total</b>	<b>70</b>	<b>100.0</b>

**Table 4.16 Composition by how long customers have maintained their accounts for**

The data from the table 4.16 above shows that 45.7% of the bank customers have maintained their accounts for 3-5 years while the lowest number of 12.9% have had their accounts for less than a year. This means that majority of the bank customers are conversant with bank operations.



<b>Period accounts held for</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Less than a Year</b>	2	6.7
<b>1-2 Years</b>	7	23.3
<b>3-5 Years</b>	14	46.7
<b>Over 5 Years</b>	7	23.3
<b>Total</b>	<b>30</b>	<b>100.0</b>

**Table 4.17 Composition by how long bank agents have maintained their accounts for**

The table 4.17 above shows that 46.7% of the bank agents have been operating their accounts for a period of 3-5 years and these means that they are conversant with bank procedures and also have experience in running their businesses. Only 6.7% of the bank agents had operated their accounts for less than a year while those who had operated their bank accounts for a period of over 5 years formed 23.3% of the total number of respondents.

#### **4.11. Awareness about agency banking**

This helped to establish the level of awareness by bank customers about agency banking and this is illustrated in the table below.

<b>Awareness about Agency Banking</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	50	71.4
<b>No</b>	20	28.6
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.18 Awareness by bank customers about agency banks**

From table 4.18 above 71.4% of the total number of customers interviewed were aware about agency banking and had even transacted from there while 28.6% were not aware about agency. This shows that banks are really creating awareness among their customers about agency banking.

#### 4.12 Customers' preference of transaction point

This was supposed to establish whether bank customers prefer doing their transactions from the bank premises or from the bank agents. This is illustrated in table 4.19 below

Point of transaction	Frequency	Percentage
Bank branch	60	85.7
Bank Agency	10	14.3
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.19 Preference of transaction point**

The table 4.19 above shows that most bank customers that is 85.7% still prefer doing their financial transactions from the bank branches/premises as opposed to transacting from the bank agencies. This means that even if banks have reached a major milestone in creating awareness about agency more awareness still needs to be created about agency banking.

#### 4.13 Frequency of visiting the bank premises by bank customers.

The table 4.20 below depicts how often bank customers frequent the bank branches to perform their financial transactions like deposits, withdrawals, applying for credit facilities among others;

Frequency of Visiting Bank	Frequency	Percentage
Daily	7	10.0
Several days per week	15	21.4
Once per week	29	41.4
Several times per month	7	10.0
Once per month	8	11.5
Once in a few months	4	5.7
<b>Total</b>	<b>70</b>	<b>100.</b>

**Table 4.20 Frequency of visiting bank premises**

Data from the table 4.20 above shows that 41.4% of the customers visit the bank to perform various transactions once per week, while 21.4% of the customers do their transactions several days in a week while only 10% of the respondents transact on a daily basis. This may be because most of the bank branches and agencies are not located near where the customers live or work.

#### 4.14 Frequency of visiting bank agent

From the table 4.21 below shows that 38.6% of the bank customers usually visit the bank agents once per week followed by those who visit the agent several times per month and these make up 30% of the respondents and only 1.4% said that they transacted at the agency banks only once in every few months.

Frequency of Visiting Bank agent	Frequency	Percentage
Daily	1	1.4
Several days per week	14	20.0
Once per week	27	38.6
Several times per month	21	30.0
Once per month	6	8.6
Once in a few months	1	1.4
<b>Total</b>	<b>70</b>	<b>100</b>

Table 4.21 Frequency of visiting bank agent

**4.15 Analysis of various banking services offered at the bank agencies and how customers understand them.**

<b>Analysis of Services Offered By Agency Banks &amp; need for improvement</b>	<b>Percentage Yes</b>	<b>Percentage No</b>	<b>Total</b>
Do you suggest training to customers about agency banking?	61	39	100
Do Bank officers visit the agency frequently to offer training?	77	23	100
Do customers perform transaction via POS and PDQ on their own?	26	64	100
Are customers able to understand network and system downtimes?	79	21	100
Does the Bank help in increasing your visibility?	56	44	100
Are the customers able to transact without assistance?	68	32	100

**Table 4.22 Analysis of various banking services offered by the bank agents and how the customers understand them**

Table 4.22 shows that there is still need for people to be enlightened about agency banking and for banks to give their agents adequate training so as to improve on the services offered at the bank agencies.

From the table, majority of the customers transacting at the agencies have confidence in the agency owners. There is also need for training to be given to the customers on mobile banking plus other services.

#### 4.16 Analysis of customers' view on bank agents

The table 4.23 below gives a detailed analysis of the kind of services that the bank customers receive from the agent banks. This is supposed to show if the customers have confidence in the bank agents or they still prefer to transact from the bank premises.

Analysis of customers view on Bank agents	Percentage Yes	Percentage No	Total
Did your bank inform you about agent banking?	45	55	100
Is the agent outlet open whenever you visit?	42	58	100
Are you able to perform a phone transaction on your own?	22	78	100
Are you able to understand all the services without any assistance?	37	63	100
Is the agency outlet manned by an able attendant?	4	96	100
Are the charges clearly displayed in the agency outlet?	08	92	100
Are the services offered clearly displayed in the agency outlet?	16	82	100

**Table 4.23 Analysis of the customers' view of agency banking**

According to the table 4.23, 96% of the customers felt that the people working at the agency banks were able and were able to assist the customers to perform their transactions. 58% of the customers confirmed that whenever they visited the agency banks to carry out their transactions they found the premises open while 45% confirmed that they always found the premises closed. This could be explained by the fact that majority of the agency banks were usually run by the owners who could open or close the premises at their own discretion.

#### 4.17 The most common customer queries handled by the bank agents

This helped to establish the kind of concerns and the queries that most bank customers who transact at the bank agencies usually make and from the graph it shows that most customers are still not very conversant with the basic transactions at the bank like cash withdrawals.

Customer queries handled by Bank agents	Frequency	Percentage
Mpesa transactions	4	12
Money transfers	5	18
Account Opening	8	28
Withdrawal instructions	13	42
<b>Total</b>	<b>30</b>	<b>100</b>

Table 4.24 Common customer queries handled by bank agent

Table 4.25 above shows that 42% of the queries handled by bank agents were on withdrawal instructions while 28% of the queries handled were on account opening while the least number of queries at only 12% were on Mpesa transactions, this is because the Mpesa menu is very easily understood by customers since its simple and user friendly.

#### 4.18 Reasons for customers preference for agency banks

Customer preference for Bank agents	Frequency	Percentage
Faster transactions	7	10
Effectiveness of transaction	13	18
Proximity of bank agency	22	32
Long queues at bank branches	28	40
<b>Total</b>	<b>70</b>	<b>100</b>

Table 4.25 Customers preference for agency banks

The table 4.26 shows why most customers prefer transacting from the bank agencies as opposed to going to the bank branches. Most respondents that is 40% preferred doing their transactions at the agencies because the services are much faster as compared to the bank branches where sometimes they have to queue for long periods of time. While 32% preferred the agencies since they were near their places of work or where they lived.

#### 4.19 Level of awareness by bank customers about existence of agency banking

The graph 4.27 below shows how the respondents came to know about the existence of agency banking that is either through the bank branches the media or by word of mouth. Majority of the respondents said they were made aware of agency banking through their bank branches.

Customer awareness About agency Banks	Frequency	Percentage
Bank customers	2	4
Newspapers	6	8
Radio	13	18
Television	13	18
Bank branch	36	52
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.26 Level of awareness about existence of agency banks by bank customers**

From the table 4.27, 52% of the respondents were made aware about agency banks through the bank branches while a combined total of 44% became aware of agency banking through the mass media that is through the radio, television or news papers. Only 4% of the respondents confirmed to have learnt about agency banking from fellow bank customers.



<b>Level of satisfaction from Using agency Banking services</b>	<b>Frequency</b>	<b>Percentage</b>
Very satisfied	6	8
Somehow satisfied	14	20
Satisfied	13	18
Somehow unsatisfied	15	22
Very unsatisfied	22	32
<b>Total</b>	<b>70</b>	<b>100</b>

**Table 4.27 Level of satisfaction from using agency banking services**

From the table 4.28 above the respondents had different views on the level of satisfaction that they got from the services offered at the agent banks. 8% of the respondents were very satisfied with the services offered while 20% were very unsatisfied with the services offered. This can be attributed to the fact that not all the customers are very conversant with the bank transactions and they could also not access all the services offered at the bank branches for example large withdrawals, loan processing, money transfers through swift messaging.

#### **4.21 Analysis of services offered at the agent bank outlets**

Most bank customers go to the bank agencies to access different services and to perform different transactions like withdrawals, deposits, filling account opening forms plus loan application forms plus registration of mobile banking services among others as captured in table 4.29.

Services Offered	KCB	CO-OP	EQUITY	FAMILY	Total
Withdrawals	20%	18%	62%	0%	100%
Deposits	32%	18%	50%	0%	100%
Funds Transfers	25%	15%	60%	0%	100%
Payments of Bills	32%	6%	62%	0%	100%
School Fees payments	41%	23%	36%	0%	100%
Account opening	38%	30%	32%	0%	100%
Mobile Banking registration	27%	13%	60%	0%	100%
Loan application	30%	18%	52%	0%	100%
Cheque book request	30%	10%	60%	0%	100%
ATM application	32%	2%	66%	0%	100%

**Table 4.28 Services offered at agency bank outlets**

From the table 4.29 above majority of the customers that is above 60% of the total respondents transact at Equity bank while the least number is at Family bank. This may be because Equity bank is more established in agency banking and was one of the pioneering banks in agency banking in Kenya, Family bank on the other hand is just rolling out its agency banking services countrywide and their agencies are not yet operational in Kitui area. KCB and Co-op bank almost had an equal number of the different transactions carried out at their agencies.

## **CHAPTER FIVE:SUMMARY OF FINDINGS ,DISCUSSION ,CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter discusses the summary of the findings, conclusions reached after the study and give the recommendations as per the responses from the respondents.

### **5.2. Summary of Findings**

This study aimed at evaluating the factors influencing access to agency banking by the local community in Kitui central district,Kenya.

From the responses given by the respondents i came up with the findings which were used to make conclusions and give recommendations.These findings were as a result of data analysis in chapter four.

#### **5.2.1 Demographic factors**

From the findings of this study gender and age are major factors that influence access to agency banking,the research shows that 57.3% of the bank customers were male while 42.7% were female.This was also the case for bank agents where 56.7% were male and 43.3% were female.This means that majority of the women in Kitui central are either underbanked that is they dont have easy access to financial services or are unbanked meaning they have no access at all to financial services.Women are als affected by ascribed gender roles and stereotyping and when they venture into business, they are expected to do small business in line with their roles(McMillan,2010).

The study also revealed that majority of the bank customers were between the age of 31-40 years making 45.7% of the respondents while 12.9% were below the age of 18 years.This can be explained by the fact that most people under the age of 18 years are likely to be in school while those in the age bracket of 31-40 years are likely to be more established in business and other economic activities thus are banked.

In addition 53.3% of the bank agents were between the ages of 41-50 years while 43.4% were between the ages of 31-40years while none were below the age of 18 years.According to the

CBK guideline on agent banking issued under section 33(4) of the Banking Act 2009, in order for a business entity to become a bank agent it has to undergo some vetting by CBK, and the entity has to be a well established commercial entity which has been operational for at least 18 months. This explains why most bank agents are in an older age bracket because they are usually well established in business and have a wealth of experience plus capital as compared to the young people.

### **5.2.2 Literacy levels**

The study revealed that the level of education influenced the access to financial services and also the establishment and running of the agency banks. According to the study 47.1% of the bank customers who transacted at the agencies had attained secondary level education, 20% had technical and vocational training while only 5.8% had university education. This shows that most people opened bank accounts after completing secondary school education, and this explains why most of the unbanked people have low literacy levels or no formal education at all.

23% of the bank agents had attained secondary education, while the majority 40% had attained technical and vocational training and 33.4% had university level education. This can be explained by the fact that most of the bank agents have to be people who are established in business and who have a good understanding of the banking operations so as to give satisfactory services to the bank customers.

### **5.2.3 Type of economic activity engaged in**

The respondents agreed that the type of economic activity engaged in influenced their saving culture and whether they saw the need to access financial services. From the study 51.4% of the bank customers worked in the personal services sector like hotel/restaurant employees, shop attendants, salon and barbershop attendants, mobile phone shop attendants and others. 31.4% worked in the building and construction sector, 10% worked in the retail sector while the lowest percentage was in the agricultural sector at 7.2%. This can be explained by the fact that most of the people engaging in agriculture were based in the remote rural areas and still did not have access to financial services.

Among the respondents, 40% of the bank agents were in the retail sector, 30% were engaged in personal services, 20% were in the wholesale sector while the lowest number were in the

agricultural sector at 10%. This can be explained by the fact that most bank agencies operate from premises like shops.

The study also revealed that majority of the bank agents, 33.3% made a monthly income of between Kshs. 20,001 to 30,000, while 26.7% made a monthly income of between Kshs. 30,001-40,000, 23.5% made a monthly income of between Kshs. 10,001 to 20,000, the lowest percentage of 6.7% earned below Kshs. 10,000 per month. This is because majority of the bank agents are already established in their line of business and already get a stable income from their businesses thus being bank agents gives them additional income.

#### **5.2.4 Availability of financial services**

According to the study 66.7% of the bank agents are located in town while 33.3% are located in the village. This also applies to the bank customers where 64.3% live within the town or its environs while 35.7% are in the village. This shows that agency banking has still not been able to reach out fully to the marginalized people in the remote areas.

Among the respondents 64.3% of the bank customers were account holders either at KCB, Co-op bank, Equity or Family bank while 35.7% were not account holders, these were agents or employees who were usually sent to the bank or agencies to transact on behalf of their employers. 96.7% of the bank agents were account holders because banks can only give agency banking business to their customers.

The study also revealed that 27.1% of the bank customers had accounts at KCB, 47.1% had accounts at Equity bank while the least number was at Family bank. This also applied to the bank agents where 46.1% had accounts at Equity bank, 26.7% at KCB and the least number was at Family bank. According to CBK statistics (GOK, 2010) 8,809 agency outlets were commissioned by the CBK in 2010 and 5,000 were opened by Equity and this explains why they have a larger customer base as compared to other banks. Family bank on the other hand has just recently rolled out the agency banking services.

Most of the bank customers had operated their bank accounts for a period of between 3-5 years making 45.7% of the respondents and this was the same case with bank agents who were 46.7%. Only 12.9% of the bank customers had operated their accounts for less than a year while 6.7% of the bank agents had operated their accounts for less than a year. This is

because majority of the bank agents were established in their line of business and were likely to have operated their bank accounts for a number of years.

Majority of the bank customers visited the bank at least once a week making 41.4% of the respondents while 21.4% visited several times a week, this was also the same case with agency banks where 38.6% of the customers transacted atleast once a week. Majority of the bank customers, 85.7% still preferred transacting at the bank branches as opposed to the bank agencies, this is because they were likely to access all the services required unlike at the agencies where they recieved only the very basic banking services offered like withdrwals and cash deposits.

### **5.2.5 Risks involved in accessibility to agency banking**

According to the study majority of the respondents 85.7% agreed that they felt safer transacting at the bank branches as opposed to the agency banks, this means that customers still felt comfortable being served by qualified bank staff as opposed to business people who may not be conversant with the services and transactions carried out at the bank.

Only 8% of the respondents agreed that they were very satisfied by the services they recieved at the agency banks and 32% were not very content with the services they recieved at the agency banks, this can be explained by the fact that most agencies may be faced with the liquidity risk whereby they may lack enough cash to meet customer's requests for withdrawals. Regulators may find that entrusting bank customers' contacts and details to retail agents may be riskier than the same functions being given to bank tellers in conventional bank branch (Basel committee on banking supervision, 2006). Bank agents also lack specially trained personnel which may be a problem especially if customers need more services other than cash depositing and withdrawal transactions.

### **5.3 Conclusion**

This study analyzed the factors influencing access to agency banking by the local community in Kitui central district.

The study found that through cost effective agency banking networks, customers can now access banking services around the country and particularly in remote and previously unbanked areas.

Agency banks are able to offer normal banking services such as cash deposits and withdrawals loan repayments,issuing of mini bank statements through shared infrastructure.The agency bank network allows banks to reach out new customers.

Agency banking has assisted banks in bringing down the cost of financial services and has allowed for greater financial sector development.Agency banks have also reached out to the unbanked and underbanked people and have increased employment opportunities across the country.Banks have been able to recruit other businesses to offer banking services on their behalf,allowing them to have branches in areas that were not previously commercially viable.

#### **5.4 Recommendations of the study**

The following recommendations are based on the findings of the study and would enhance the factors influencing access to agency banking services and its survival and success in the competitive financial market in Kenya today.

The Central bank of Kenya needs to relax its vetting process for those businesses wishing to become bank agencies so as to be able to reach out to the more mrginalized and unbanked people in the remote rural areas.

More banks need to venture into the agency bank business by establishing more agency banks inorder to offer more cost effective ways to offer financial services and this will lead to;

- 1) More bank accounts being opened thus increasing bank's customer base.
- 2) Increased financial literacy among the people.
- 3) Better consumption of and appreciation of financial services.
- 4) Increased savings and sources of deposits to reduce cost of funds hence providing an incentive to lower the cost of credit access and interest rates on credit facilities to Kenyans.

Banks should provide and implement mandatory training programs to their agents so as to be well conversant with the services offered at the bank and to ensure success and survival of these agencies in areas where they will be represented.This will also ensure that the bank customers get satisfactory services at the agencies.

Banks should offer adequate security to their agents so as to protect them from anti money laundering and other forms of theft and this will also boost cutomers' confidence and encourage them to transact more at the agencies as opposed to the crowded bank branches.

Banks should also advertise the agncy bank services aggressively inorder to create awareness among Kneyans about their availability and ease of access.

### **5.5 Suggestions for further studies**

This study offers numerous opportunities for further research on agency banking and attempts to bridge the gap in the knowledge that already exists as per the recommendations below;

An assessment of the quality maintenance of agency banking.

An assessment of the gender disparity in the people who have access agency banking.

An assessment of the success rate of agency banking set up in Kenya .



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## APPENDICES

### Appendix 1: Questionnaire for the Agency bank customers

You are kindly requested to complete the questionnaire as honestly and objectively as possible giving as much details as possible where necessary.

#### 1. Gender

Male [ ]

Female [ ]

#### 2. Your age bracket [please tick appropriately]

Below 18 years [ ]

18-30 years [ ]

31-40 years [ ]

41-50 years [ ]

51-60 years [ ]

Above 60 years [ ]

#### 3. Education level

- i. Primary [ ]
- ii. Secondary [ ]
- iii. Tertiary (Technical and vocational education) [ ]
- iv. University [ ]
- v. Others (please specify).....

#### 4. Sector of Operation

- i. Manufacturing [ ]
- ii. Building and construction [ ]
- iii. Retail [ ]
- iv. Wholesale [ ]
- v. Transport and communication [ ]
- vi. Agriculture [ ]
- vii. Personal Services (Hotel & restaurant) [ ]
- viii. Government [ ]
- ix. Others (please specify).....

#### 5. Is your enterprise based in town or village? >>>>>>SA

Town [ ]

Village [ ]

6. Do you hold an account in any bank?

Yes [ ]                      No [ ]

*(if yes in Q6 continue to Q7 & Q8)*

7. Which bank(s) do you have an account in?

KCB [ ]    Co-operative Bank [ ]    Equity bank [ ]    Family bank [ ]

8. How long have you operated the account ?

Less than 1 year [ ]    1-2 years [ ]    3-5 years [ ]    over 5 years [ ]

*(all)*

9. Are you aware of Agency banking?

Yes [ ]                      No [ ]

10. Where do you prefer doing your financial transactions at?

Bank branch [ ]                      Agency bank [ ]

11. How often do you visit the Bank?

Every day [ ]    Several days a week [ ]    once a week [ ]    Several times a month [ ]

Once a month [ ]    Rarely (Several times a year) [ ]

12. How often do you visit the Agency bank?

Every day [ ]    Several days a week [ ]    once a week [ ]    Several times a month [ ]

Once a month [ ]    Rarely (Several times a year) [ ]

13. Are the services offered by Agent just similar to the ones offered in the bank?

Yes [ ] No [ ]

14. What services does your Agent offer ?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

15. In most cases which channel do you prefer for the following?

15\_1. Withdrawals

Bank branch [ ] Agency bank [ ] ATM [ ] Mobile banking [ ]

15\_2. Deposits

Bank branch [ ] Agency bank [ ] ATM [ ] Mobile banking [ ]

15\_3. Funds Transfer

Bank branch [ ] Agency bank [ ] ATM [ ] Mobile banking [ ]

15\_4. Paying Bills

Bank branch [ ] Agency bank [ ] ATM [ ] Mobile banking [ ]

15\_5. Paying school fees

Bank branch [ ] Agency bank [ ] ATM [ ] Mobile banking [ ]

15\_6. Account opening

Bank branch[ ] Agency bank [ ] Mobile banking [

15\_7.Mobile banking registration

Bank branch[ ] Agency bank [ ]

15\_8.Loan application

Bank branch[ ] Agency bank [ ]

15\_9.Cheque book request

Bank branch[ ] Agency bank [ ]ATM [ ] Mobile banking [ ]

15\_10.ATM Application

Bank branch[ ] Agency bank [ ] Mobile banking [ ]

16. Why do you prefer using Agency bank?

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

17.What helps you locate your agent locality ?

.....  
.....  
.....  
.....  
.....

18.Are services available at your agent clearly displayed ?

Yes [ ], No [ ]

19. Are charges applying to services available at your agent clearly displayed ?

Yes [ ] No [ ]

20. Is the person manning the Agent outlet able to help you understand all services available?

Yes [ ] No [ ]

21. Are you able to understand all services without any assistant?

Yes [ ] No [ ]

22. Are you able to perform a mobile phone transaction without any assistant?

Yes [ ] No [ ]

23. Is the Agent outlet open wherever you visit the outlet?

Yes [ ] No [ ]

24. Did your bank inform you about Agency banking?

Yes [ ] No [ ]

25. How did you know about the Agency bank?

Bank branch [ ]

TV [ ]

Radio [ ]

Newspaper [ ]

A Friend [ ]

26. Does your agent show you how to transact using your phone?



Yes [ ] No [ ]

27. Do you think customers need any training on Agency banking?

Yes [ ] No [ ]

28. On a scale of 1.....5, state your satisfaction at the agent outlet? Where by

1=Very satisfied.....5= very unsatisfied

**THANKS FOR YOUR CONTRIBUTION**

**Information given by respondents will be used for research only and not for any other use.**

## Appendix 2: Questionnaire for the Agency banks

You are kindly requested to complete the questionnaire as honestly and objectively as possible giving as much details as possible where necessary.

### 1. Gender

Male [ ]

Female [ ]

### 2. Your age bracket [please tick appropriately [ ]

Below 18 years [ ]

18-30 years [ ]

31-40 years [ ]

41-50 years [ ]

51-60 years [ ]

Above 60 years [ ]

### 3. Education level

vi. Primary [ ]

vii. Secondary [ ]

viii. Tertiary (Technical and vocational education) [ ]

ix. University [ ]

x. Others (please specify).....

### 4. Sector of Operation

x. Manufacturing [ ]

xi. Building and construction [ ]

xii. Retail [ ]

xiii. Wholesale [ ]

xiv. Transport and communication [ ]

xv. Agriculture [ ]

xvi. Personal Services (Hotel & restaurant) [ ]

xvii. Government [ ]

xviii. Others (please specify).....

### 5. Your Monthly income in Kshs. [please tick appropriately

Below 10,000 [ ]

10,001-20,000 [ ]

20,001-30,000 [ ]

30,001-40,000 [ ]

40,001-50,000 [ ]

Above 50 [ ]

6. Is your enterprise based in town or village?

Town [ ]

Village [ ]

7. Do you hold an account in any bank?

Yes [ ]

No [ ]

8. Which bank (s) do you have an account in?

KCB [ ]

Co-operative Bank [ ]

Equity bank [ ]

Family bank [ ]

9. How long have you operated the account for?      & .

Less than 1 year [ ]

1-2 years [ ]

3-5 years [ ]

over 5 years [ ]

10. Did your bank approach you to become an agent?

Yes [ ]

No [ ]

11. What made you choose to become an agent?

.....

.....

.....

.....

.....

.....

.....

.....

12. Do you have an assistant in running the agent outlet?

Yes [ ]

No [ ]

12\_1 And if yes how many.....



16\_5.Paying school fees

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

16\_6.Account opening

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

16\_7.Mobile banking registration

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

16\_8.Loan application

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

16\_9.Cheque book request

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

16\_10.ATM Application

KCB [ ] Co-operative Bank [ ] Equity bank [ ] Family bank [ ]

17. Are your customers able to transact on their own without asking for any assistant?

Yes [ ] No [ ]

18.Does the bank help in increasing your visibility ?

Yes [ ] No [ ]

19.Kindly indicate the most common customer query?

.....  
.....

.....  
.....  
.....  
.....  
.....  
.....

20. Are customers able to understand network issues and system downtimes?

Yes [ ] No [ ]

21. Is the assistant manning the Agent outlet able to help customers understand all services available?

Yes [ ] No [ ]

22. Are customers able to understand their MENU ?

Yes [ ] No [ ]

23. Are customers able to perform a mobile phone, POS/PDQ transaction without any assistant?

Yes [ ] No [ ]

24. Do bank officers visit your outlet for more training?

Yes [ ] No [ ]

26. Why do customer prefer your Agency bank outlet?

.....  
.....  
.....  
.....  
.....

27.How did you know about the Agency banking?

Bank branch[  ]

TV[  ]

Radio [  ]

Newspaper [  ]

A Friend [  ]

28.Do you think customers need any training on Agency banking?

Yes [  ]      No [  ]

28.On a scale of 1.....5, rate your bank support in operating the outlet? Where by ;

1=Very satisfied.....5= very unsatisfied

**THANKS FOR YOUR CONTRIBUTION**

**Information given by respondents will only be used for research and not for any other use.**

**Table 3.3:A Summary of Agency Banking in Five Different Countries**

<b>COUNTRY</b>	<b>TYPES OF AGENTS</b>	<b>TECHNOLOGY USED</b>	<b>MODEL USED AND SERVICES OFFERED THROUGH AGENT.</b>
<b>Brazil</b>	<b>Retail Outlets like grocery stores,drug stores,gas stations and other retailers,banking correspondents</b>	<b>Payment cards and card readers</b>	<b>Bank led model:Consumer loans,withdrawals,personal credit, account balance statements,billpayments,reciept of applications to open new accounts i.e. savings ,loans,credit cards and others ,money transfers,insurance and pensions.</b>
<b>India</b>	<b>MFIs registered under various laws(NGOs, mutually aided cooperative societies,post offices and business correspondents.</b>	<b>Webbasedsystem,payment cards and card readers.</b>	<b>Bank-led model: Small-value credit Which includes identification of borrowers; collection, preliminary processing, and submission of loan applications, collection of interest; and follow-up for repayment and loan recovery, small-value savings; microinsurance; small-value money transfers and finally account opening.</b>



South Africa	Bank branches,post offices,Easy pay points supermarkets linked to the national paymet system through Easy pay infrastructure	Mobile phones, card readers like cards.	Bank-led model: Account opening ,bills and tax payments,salary payment,money transfers,airtime top –up and Basic banking services.
Phillippines	Mobile network operators,retail stores and other outlets,rural bank branches.	Mobile phones	Purchase of items,loan disbursements and repayments,bill/tax payments, money transfers and remittances,airtime top-up,small value deposits and withdrawals.
Kenya	Air time vendors,supermarkets and agent retail outlets.	Mobile phones,prepaid payment cards and card readers	Non bank led model and bank led model Loan disbursement and repayment,bill and tax payment,money transfers, small value deposits and withdrawals.