# FACTORS INFLUENCING CUSTOMER SATISFACTION WITH KENYA COMMERCIAL BANK AGENCY BANKING IN BUNGOMA COUNTY

**BY**

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## DECLARATION

This research report is my original work and has never been presented for the award of any degree in any University.

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This report has been submitted for examination with my approval as the university supervisor.

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## DEDICATION

This research is dedicated to my mother Dymphina Malisha, father Reuben Malisha, Sister Mercy Malisha and Uncle Wycliffe Waliaula. Thank you for your support.

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My first appreciation goes to God almighty for his divine guidance and abundant grace. Indeed great is thy faithfulness.

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And to you my lovely daughter Patience Baraka thank you and God bless you abundantly.

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## LIST OF ABBREVIATIONS AND ACRONYMS

**CBK**-Central Bank of Kenya

**KCB**-Kenya Commercial bank

**SST**-Self-Service Technologies

**MFI** – Micro Financial Institutions

**FSD –** Financial Sector Deepening

**FAQ** – Frequently Asked Question

**POS-**Point of service

**CGAP-**Consultative Group to Assist the Poor

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## ABSTRACT

KCB Agency banking is a recent model that hopes to enhance access to financial services by allowing small-scale business operators to be engaged in banking services as satellites. This was largely as a result of pressure experienced by KCB banks to reduce operational costs and congestion experienced in its banking halls. The purpose of the study was to assess the Factors Influencing Customer Satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County. In particular, the specific objectives were to establish the extent at which customer education of agency banking influences customer satisfaction, determine how service quality influences customer satisfaction, examine how agent float influences customer satisfaction and ascertain how agency banking accessibility influences customer satisfaction. The target population comprised of 120 KCB agents and approximately 1,320 customers. A sample size of 24 agents and 240 customers was chosen using cluster sampling. The Theory of Disconfirmation was adopted as postulated by Szymanski and Henard. Questionnaires and interview schedules were used as data collection instruments. Data was descriptively, summarized and presented in tables and frequencies and percentages using SPSS. Findings revealed that on objective of Customer level of education and awareness and customer satisfaction; half, (50.0%) respondents indicated to some extent that customers were aware of the existence of KCB agency banking. The overall diffusion and adoption of KCB Agency banking was 47.6% hence agency banking is clearly an innovation that requires time to reach critical mass. Concerning the objective of Service quality and customer satisfaction; 40.9% of respondents agreed that agents' transaction methods and systems operation time influenced customer satisfaction and KCB agency banking has not effectively embraced the use of technology where 65.6% disagreed. The probability of reliability in system and its availability was half (50.0%). On objective of Agent float and customer satisfaction; 71.7% of the respondents unanimously agreed that transaction limits depend on availability of float which has a bearing on customer satisfaction. 43.4% of the respondents disagreed on the reliability of agents float hence they were not motivated enough to transact with the KCB agents and 58.7% of the respondents cited that there was no uniformity of deposits and withdrawals. KCB Agents handle customers Complaint resolution professionally by 51.0% responses. With objective of Agency banking accessibility and customer satisfaction; 54.5% cited that the agents' outlets were accessible. The distance between the agents outlets and bank branch to customers had a little bearing or insignificant on satisfaction of the customers and an equal proportion of the respondents agreed and disagreed at 30.3% responses that they preferred doing transactions with KCB Agents than the Bank branch and 70.7% of the respondents strongly agreed that KCB Agency banking hours were adequate for the customers. The study recommends that increased marketing will significantly improve the awareness and education level on the entire process of diffusion and adoption of the agency banking. Service quality has a significant bearing on customer satisfaction and KCB bank should effectively embrace the use of Information and Communication Technology in agency banking and also ensure that their banks agents have enough float and cash to serve their customers.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

It is important that banks deliver quality services which in turn results in customer satisfaction in today's competitive banking environment. Within developed countries for instance the New Zealand financial service market, competition is deemed to be strong given that there have been new entrants into the market as well as mergers and acquisition and exits over the last ten years (Chan, Schumacher and Tripe, 2007). In order to retain the customers, customer satisfaction becomes a crux issue to bank management. In addition, Customer satisfaction has been fundamental to the marketing concept for over three decades (Parker and Mathews, 2001). It is widely recognized in the good and service sectors that customer satisfaction as the main performance indicator and the key to success for any business organization (Mihelis, Grigoroudis, Siskos, Politis, and Malandrakis, 2001).

Previous studies define customer satisfaction as "disconfirmation paradigm" (Churchill and Suprenant, 1982), which is a result of confirmation/disconfirmation of expectations that compare product (or service) performance with their expectations and desire (Spreng, MacKenzie, and Olshavsky, 1996). Boulding, Kalra, Staelin, and Zeithaml (1993) conceptualized customer satisfaction into transaction specific and cumulative (Anderson, Fornell and Lehmann, 1994). The transaction specific viewed customer satisfaction as evaluative judgment after a specific buying process (Hunt 1977; Oliver, 1993). However, cumulative customers' satisfaction emphasizes more on the total evaluation based on total consumption over time (Johnson and Fornell 1991; Fornell 1992). Other researchers consider the term customer satisfaction as an attitude or evaluation formed by customers who compares pre-purchase expectations about the outcome of a product or service from the actual performance they received (Oliver, 1980; Fornell, 1992).

Satisfaction is the customer‘s evaluation of a product or service in terms of whether that product or service has met their needs and expectations (Zeithaml and

Bitner, 2003).Customer satisfaction is derived largely from the quality and reliability of your products and services (Curry and Curry, 2000; Adeoye & Olukemi, 2012)

However, according to Adeoye & Olukemi (2012) almost every bank in developing countries encounters similar problems in meeting customer‘s expectation of services and customer satisfaction. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. Agency banking is a retail outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer (Central Bank of Kenya, 2010, Getanga, 2010).

In Brazil, Agency banking was developed in 1999. Although by 2000, only 1,600 municipalities in Brazil had bank branches, by 2010, some 170,000 agents cover all of the 5,500 municipalities, and nearly 12 million accounts have been opened at agents over three years. Brazil's experience has offered valuable lessons for countries where banks can contract an agent (McKay, 2011). The Banks Act allows a bank to contract agents to receive on (the bank's) behalf from its clients any deposits, money due to it or applications for loans or advances, or to make payments to such clients on its behalf.

In United States, agency banking is a form of organization commonly used by foreign banks to enter the US market. Using an agency bank allows a foreign bank to engage in financial activity on US soil. People in the United States who want to do business with the parent bank can do so through the agent, with representatives at the agency bank taking care of issues like currency exchange, transfers of funds, and deposits among others. In addition to providing access to the financial industry in the United States, the agency bank also creates a method for investors in the US to access securities and other opportunities overseas with limited risk (Bold, 2011).

In India Agency banking was developed in 2006 when banks were allowed to appoint MFIs and post offices as business correspondents for inter alia small deposit-taking. Elsewhere, agency banking refers to the points of service ranging from post offices in the outback of Australia where clients from all banks can conduct their transactions, to rural France where the bank Credit Agricole uses corner stores to provide financial services, to small lottery outlets and clients can receive their social payments and access their bank accounts (Porteous, 2006).

In Africa, the finance sector has a pivotal role to play in economic development. Across the continent a number of banks are championing sustainability and reengineering their operations to integrate agency banking models. However, in Africa, agency banking is a new concept, with the model/concept being highly implemented in Kenya and South Africa. In South Africa, the first agency banking was implemented in 2005 (Bold, 2011). The South African regulatory framework gives wide discretion to banks to use nonbank third parties to offer banking services beyond their traditional branch network, either as agents or through outsourcing arrangements. The Banks Act allows a bank to contract agents to receive on (the bank's) behalf from its clients any deposits, money due to it or applications for loans or advances, or to make payments to such clients on its behalf." The only restriction is that a bank may not enter into an agency agreement until it has provisioned for the bank's organizational extensions, purchase of a business, losses (including any loss suffered from a sale of assets), and bad debts.

According to Watiri (2013), agency banking model was embraced in Kenya in 2010 and has led to further expansion of the distribution of banking services leading to the establishment of village banks. There were many strategies that were used by banks to expand in their quest for international expansion. Equity bank chose the agency model to expand in the east Africa region. And their entry was going to increase penetration and also increase access to finance for the people.

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). According to central bank of Kenya the Kenyan Banking Sector continued to register improved performance (Chiteli, 2013; CBK Bank Supervision Annual Report-2005 to 2010) with the size of assets standing at Ksh. 2.3 trillion, loans and advances worth Ksh. 1.32 trillion, while the deposit base was Ksh.1.72 trillion and profit before tax of Ksh.80.8 billion as at 30th September 2012. During the same period, the number of bank customer deposit and loan accounts stood at 15,072,922 and 2,055,574 respectively (Ndome, 2012).

Moreover, due to strong competition amongst commercial banks, actors within the formal sector is now realizing the benefits from adopting new ways of delivering their services so that even the low-income and rural individuals can access them (FSD, 2011, 2012). Branchless banking, the use of alternative delivery channels such as mobile banking and agent banking, is becoming increasingly popular among commercial banks in Kenya and in other developing countries. It is believed to reach the low-income and rural individuals as well as making these individuals better off (Rosen, 2013).

The agency-model was developed by the Central Bank of Kenya in 2010 to lower costs as well as increase convenience for customers. After just two years 10 commercial banks had been given the approval to hire agents. Together these banks had more than 16 000 agents throughout the country. According to the Central Bank, the strategy to increase financial use with agency banking had increased the number of transactions from 8 million transactions in 2011 to 38 million transactions a year later. The value transacted also increased tremendously during this time, in 2011 the amount transacted was 43.6 billion Kenyan shillings and in 2012 this amounted to 195.8 Kenyan shillings (Central bank of Kenya, 2011, 2012).

As part of their strategy to target the low-income and rural individuals, Kenya Commercial Bank is hiring agents in remote areas to reach the financially excluded and it comes in with the name KCB Mtaani Agent. Improved outreach must be a result given the fact that most of their customer base is from the poorer segments of the population along with the fact that the bank has grown considerably the last couple of years. With KCB Mtaani, it is now more convenient to send and receive money within ones neighborhood.

## 1.2 Statement of the Problem

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Commercial banks, assaulted by the pressures of globalization, competition from non-banking financial institutions, and volatile market dynamics are constantly seeking new ways to add value to their services (Soteriou & zenios, 1997).

Kenya Commercial Bank was established some decades ago and has remained one of the greatest pillars in the banking sector of Kenya. The bank has a large customer base and branches in the country. The services of the bank continue to be felt in every community in the country. With regard to its large deposit base, there is ever-growing pressure on its service delivery and Customer satisfaction across the country. Thus the need to introduce agency banking becomes paramount. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near.

Kenya Commercial Bank has been in the front line in putting in place strategies to ensure satisfaction of its customers and like any other bank, KCB has had a number of challenges in meeting this mandate of customer satisfaction. Banking hours is a challenge that cuts across, most banks operate between 8.30am – 4.00pm on week days, 8.30-12pm on Saturdays and remain closed on Sundays and public holidays. This implies that outside the banking hours customers cannot access services. Many business people would wish to deposit and withdraw funds as need arises and would prefer a 24 hour bank. Customers are taking greater control of their banking relationships. They are switching banks, changing their behavior and demanding improvements. In response, banks need to re-evaluate their assumptions and fundamentally change how they interact with their customers. They need to embrace change by giving their customers greater flexibility, choice and control, and by reconfiguring their business models around customer needs (Ernst & Young, 2012).

There have been a number of issues at the KCB agencies in Bungoma County that have resulted to customer dissatisfaction. An example is the lack of or insufficient float at the agencies. In such cases customers are turned away or they withdraw/deposit less amount. Dishonesty of some of the agents who receive customer's cash and give out receipts to the customers without actually depositing the money in the stated accounts.

There are cases where a customer is required to announce the amount to withdraw/deposit upfront before a transaction for the agent to weigh whether there's enough float to accommodate the customer's request. This is a security lapse on the side of the customer. These are problems associated with customer satisfaction at the KCB agency Banking and this study seeks to evaluate the actual factors influencing customer satisfaction with KCB agency banking in Bungoma County.

In order to achieve customer satisfaction, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customers' needs and demands (Pizam & Ellis, 1999). Otherwise, the combined effect of negative word-of-mouth, switching and reduced consumption will affect the productivity and profitability of the bank. Research according to Beck et al, (2007) shows that agency banking which is the offering of selected banking services through third parties appointed by the banks is expected to be one of the solutions to reaching sections of the disadvantaged in society.

**1.3 Purpose of the study**

The purpose of this study was to determine the factors influencing customer satisfaction with Kenya Commercial Bank Agency banking, Bungoma County.

**1.4 Research Objectives**

The objectives of the study were;

1) To establish the extent at which customer education of agency banking influences customer satisfaction.
2) To determine how service quality influences customer satisfaction
3) To examine how agent float influences customer satisfaction
4) To ascertain how agency banking accessibility influences customer satisfaction

**1.5 Research questions**

The study sought to answer the following questions:

1. To what extent does customer education of agency banking influence customer satisfaction?
2. To what level does service quality affect customer satisfaction?

3. To what extent does agents' float influence customer satisfaction?

4. To what level does agency banking accessibility influence customer satisfaction?

### 1.6 Significance of the study

In the first place the study will help the bank identify the perception the consuming public have about Agency banking they are providing. The satisfaction of the customer is the prime occupation of the bank, thus this study will provide evidence for the improvement of these services. Also, the study through the examination of service quality will enable the bank judge its performance in the light of how customers judge it.

It is hoped that the study will provide the needed evidence to the Commercial Bank of Kenya, the regulatory body and the Consumer Protection Agency to further strengthen their resolve in ensuring that customers or the banking public enjoys the best of services.

The study is also of significance to the customer and the business world in general. It is hoped that the outcome of the study will provide evidence for banks to improve their service delivery and the performance of customer care units which are geared towards the satisfaction and comfort of the customer. Finally, the study will add to literature in the area of marketing, customer satisfaction and quality service delivery in the banking industry.

### 1.7 Assumptions of the study

The study was based on the following assumptions: that the researcher will get customers of Kenya Commercial bank, Bungoma County that will answer the questionnaire; that there will be transparency and accountability by the respondents while giving information that the researcher will treat information given by respondents with confidentiality.

### 1.8 Limitations of the study

The following limitations were faced during this study:

A few respondents did not turn up to answer the questionnaires, in this case the researcher left copies of questionnaires with the agents and the same were collected after two days. Some of the respondents were illiterate. The researcher used research assistants who helped the respondents fill in the questionnaires and also appointed an interpreter who helped the respondents understand the questions.

**1.9 Delimitation of the study**

This research was conducted specifically on Kenya Commercial bank, Bungoma County and the information will apply to KCB and can be used cautiously in other banks.

**1.10 Definition of significant terms**

**Agency banking -** retail outlet contracted by a financial institution or a mobile network operator to process clients' transactions.It also refers to offering bank services through the selected individuals or company in this case the agents.

**Customer satisfaction -** customer's evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Happy and satisfied customers behave in a positive manner.

**Agent –** An individual or company that offers services on behalf of the bank normally it must be an existing business.

**Customer Education-** Customer awareness of a product/service and how it operates

**Self – Service Technology –** This is as service that a customer carries out at their convenience and comfort without it being delivered by third party by use of internet or mobile phone

**Service Quality –** refers to the standard of the service offered to the customer in relation to the customer needs and expectation.

**Agent float –** the cash flow that accommodates deposit/withdrawal transactions

**Accessibility** – the ease with which a customer can get services

**Micro Financial Institutions** – Institutions that offer basic financial services and majorly rely on the banks in order to offer these services to their customers.

# CHAPTER TWO

# LITERATUREREVIEW

## 2.1 Introduction

This chapter reviews literature on Agency banking and customer satisfaction. It covers the relationship between customer education and customer satisfaction, how customer education influences customer satisfaction, how complexity of service affects customer satisfaction, how quality of service affects customer satisfaction and examines the relationship between personal need and customer satisfaction.

## 2.2 Customer education and customer satisfaction

According to Rust (2001) the use of modern information and communication technologies in daily business activities is generally accepted. Many firms these days use new technologies in order to deliver services to its customers. However, in order for such techniques to be used, it is crucial that the customer develops the abilities necessary to function within a specific context. They should understand what is expected of them and acquire the skills and knowledge necessary to interact with the newly introduced technological service (Zeithaml, Bitner, and Gremler, 2009). This concept is better known as customer education. There currently is an increased interest in customer education. According to Benoit (2007) there are three reasons for this phenomenon namely: The development of knowledge-based business, Development of information and communication technologies and corporate strategy.

An increasing number of products are becoming smarter and more interactive such as the personal digital assistant (Mittal and Sawhney 2001). According to Davis and Botkin (1994) and Honebein (1997) the development of such products turns companies into educators and consumers into active learners. An example related to the banking industry is the application that Rabobank developed for the Apple iPhone. Most of the customers are busy with their day- to –day activities and do not have the time to visit the branches. They therefore wish to transact at the comfort of their offices, businesses and homes.

E-learning has provided many firms the possibility to educate their customers via technology. An example of E-learning is the concept Frequently Asked Questions (FAQ). A FAQ is a webpage that displays frequently asked questions by customers and the answers to these questions. As a result, the customer is not inclined to contact an employee in order to have their questions answered. This leads to a more efficient service process and employees do not have to answer the same question over and over again.

In order for companies to be profitable, they must ensure the development of customer loyalty (Anderson and Sullivan 1993). Therefore it becomes of crucial importance that companies educate their customers as this can help customers to perform the expected tasks better. According to Hennig-Thurau, Honebein, and Aubert, (2005) and Honebein and Cammarano, (2006) (as cited in Benoit 2007) the ability of a customer to perform a consumption-related task is a key determinant of customer satisfaction and loyalty. The ability of a customer to perform such a task is highly influenced by customer education.

It is essential that, when a new service such as Internet banking is launched, customers know how to use the service. According to Zeithaml et al. (2009) customers must fulfill their roles appropriately in order for a service to be successful. If customers are not properly prepared for the use of a new service, they will not know how to use it, which leads to disappointment. This in turn will result in less satisfaction and ultimately less loyalty of the customers towards the company. In addition, less satisfied customers will also have a negative effect on other customers through for example word-of-mouth (Richins 1983). This disappointment is mainly caused by the fact that, in case of a service failure, customers will often hold the firm responsible even though the customers themselves may be the cause of the service failure (Zeithaml et al. 2009).

The education of customers can relieve customers‟ fears and perceptions of risk, which results in an increase in customer satisfaction (Faranda 1994). Hennig-Thurau et al. (2005) and Honebein and Cammarano (2006) (as cited in Benoit 2007) found that if the ability of customers to perform a consumption-related task improves, customer satisfaction and loyalty are improved. Thus, well-educated customers are better able to use Self-Service Technologies (SSTs) and as a result this will lead to improved customer satisfaction.

Next to customer service knowledge, general education is also of importance to the usage of SSTs. In the Netherlands, the average level of education is rising. In 2008, 72% of the working population (ages 25 to 64) had acquired the minimum level of education. The average level of education of especially the younger Dutch workers has risen (Rijksoverheid 2010). Durrande and Usunier (1999) state that higher educated people with more highly qualified jobs tend to display a stronger quantitative time orientation. This will lead them to attach more importance to the time gain that comes with using SSTs (Weijters et al. 2005). In addition, higher education is positively associated to a higher probability of using new technologies (Im, Bayus, and Mason 2003; Rogers 2003, as cited in Weijters et al. 2005). The information about the average Dutch education level thus indicates that SSTs are very suitable for Dutch companies. With the proper service education, the use of SSTs can positively affect customer satisfaction and in turn customer loyalty and business performance.

The mobile phone is the most used ICT tool in that is rated most significantly in terms of desirability, accessibility and affordability. Mobile phones emerge as the preferred ICT tool to SMEs due to affordability, ease of use, and a reliable network. More than 95% of SMEs in Kenya own mobile phones with subscription reaching 30.7 million in April, 2013 and mobile penetration at 78%, (CCK, 2012). This offer SMEs a great opportunity to employ the services of this preferred tool to enhance market access. Mobile phones offer various functionalities that can enhance market access and include communication, enabling market transactions, product promotion, customer relationship, market research and other internet enabled services. Mobile phones offer a quick, efficient and affordable way of communication to SMEs which is essential for initiating and maintaining customer relationship, facilitating market transactions, acquisition of market information and for communicating product information to customers. Communication can be achieved through voicemail or the short message service that is relatively cheap. SMEs can also benefit from the use of Interactive Voice response which uses voicemail for information delivery on the user dialing given numbers to access information through simple menu steps. This will give SMEs the opportunity to obtain market information necessary to achieve market access. (Mukhebi et al, 2007) Mobile phones can also be used to facilitate market transactions to improve efficiency and reduce high transaction costs. Such transactions include m-banking, m-payments and mobile money transfer. SMEs can take advantage of services that already exist e.g. pay-bill service, "Lipa na M-Pesa", "M-Pesa banking and money transfer from Safaricom service providers. M-internet is a fast growing technology that can be used for mobile commerce to facilitate online marketing, communication, networking, and market research. SMS-marketing can used to market their products at low costs while Social-networking can be used for communication, promotion and in the actual selling through the phone.

Radio and television can be used by SMEs to improve market access as they are widely used in Kenya and have the advantage of reaching a larger audience. They can be used for product promotion, acquisition of market information disseminated by various actors and for interaction with potential customers. Through radio and TV media, SMEs have the opportunity to develop and use virtual markets to promote and sell their products through interactive programmes. Such will require the integration of several ICT tools like e-payments or M-payments and an information system to facilitate, transactions. (Mukhebi et al, 2007)

According to world development report (1999), for leading countries in the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor determining the standard of living more than land, tools, and labor. Today's most technologically advanced economies are truly knowledge based. Countries in the world are moving from an industrial economy to a knowledge economy in which economic growth is dependent on a country's ability to create, accumulate and disseminate knowledge. Wolf, S. (2001) found that in most African countries, small and medium enterprise (SME) account for a significant share of production and employment and is therefore directly connected to poverty alleviation. Especially in developing countries SMEs are challenged by the globalization of production and the shift in the importance of various determinants of competiveness. ICTs can improve efficiency and increase productivity by different ways including, improving efficiency in resource allocation, reducing transaction costs, and technical improvement, leading to the outward shifting of the production function.

In the last decade, there has been an explosion of different forms of remote access of financial services, i.e. beyond branches. These have been provided through a variety of different channels, including mobile phones, automatic teller machines (ATMs), and Point-of-Sale (POS) devices and banking correspondents. In many countries, these branchless channels have made an important contribution to enhancing financial inclusion by reaching people that traditional, branch-based structures would have been unable to reach.

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. Rogers (2006) formulated the diffusion of innovations theory to explain the adoption rates of various types of innovations. The theory views that there are four main elements in the diffusion process of new ideas are: an innovation that is communicated through certain channels over time among the members of a social system (Rogers, 2006). Each time we have a new idea or innovation; there will be different adopter distributions tend to follow an S-shaped curve over time. Earlier adopters play a major role as change agents to support the diffusion process through their successful adoption story. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established categories of adopters, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. Diffusion of innovations theory determines five innovation characteristics that affect the adoption of new ideas (Rogers, 2006) like relative advantage, complexity, compatibility, trialability, and observability. Relative advantage is the degree to which an innovation is perceived as better than the idea it supersedes. Relative advantage has been measured in terms of economic benefits, social prestige, status, convenience, and satisfaction. On the other hand, complexity relates to the degree to which an innovation is perceived as difficult to understand and use. Perceived complexity has a negative effect on the adoption. Compatibility indicates the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters. An idea that is incompatible with the values and norms of a social system will not be adopted as rapidly as an innovation that is compatible. Trialability signifies the degree to which the innovation may be experimented with on a limited basis. A possibility to try an innovation before adoption will reduce the uncertainty and increase the likelihood of the adoption. Observability is the degree to which the results of an innovation are visible and communicable to others. The easier it is for individuals to see and discuss the results of an innovation, the more likely they are to adopt it (Omumi, 2010).

When promoting an innovation, there are different strategies used to appeal to the different adopter categories. Innovators - These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are very willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population. Early Adopters - These are people who represent opinion leaders. They enjoy leadership roles, and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include how-to manuals and information sheets on implementation. They do not need information to convince them to change. Early Majority - These people are rarely leaders, but they do adopt new ideas before the average person. That said, they typically need to see evidence that the innovation works before they are willing to adopt it. Strategies to appeal to this population include success stories and evidence of the innovation's effectiveness. Late Majority - These people are skeptical of change, and will only adopt an innovation after it has been tried by the majority. Strategies to appeal to this population include information on how many other people have tried the innovation and have adopted it successfully. Laggards - These people are bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board. Strategies to appeal to this population include statistics, fear appeals, and pressure from people in the other adopter groups.

Relating the diffusion theory to agency banking, the agency banking is clearly an innovation that requires time to reach critical mass. With regard to communication channels, banks have done well to popularize the model with service names that resonate well with the target population. Such names include , 'Co-op Kwa Jirani', 'KCB Mtaani', 'Equity Ndio Hii', 'Family Papo Hapo', 'Chase Popote' 'Conso Maskani', Posta mashinani, DTB agent, and so on. Such names are intended to create a sense of ownership and create confidence among the banks' customers for a service that has been devolved to their neighborhood. The rate of diffusion of agency banking will depend on many factors some of which are subject of investigation in this study, but also not forgetting disruptive innovations like the mobile money services. Critical mass will only be reached when agents have earned enough commission for their sustenance. The commissions are however volume based. According to Equity bank, 2011 it is estimated that, an agent will need to transact on average more than fifty transactions per day to cover their monthly overheads. This of course will depend on an agent‘s efficiency and ability to keep costs at the minimum. Such costs include rent, salaries and wages, float costs, business permits and airtime to name but a few. Agents are ideally supposed to be engaged in an existing business such that the agency banking becomes another product on their shelves but it is not unusual to find agents providing agency banking services exclusively.

## 2.3 Service quality and customer satisfaction

According to Bitner, Brown, and Meuter (2000) the impressions of a firm are often determined by the service encounters of customers. As such, the service quality of these service encounters is of critical importance to a firm. Service encounters affect variables that are highly valued by a firm, such as customer satisfaction, intention to repurchase and word-of-mouth communications. Service quality will be the dominant element in the customers‟ evaluation in case of pure services, such as financial services.

A service encounter is the interaction between a customer and a company (Bitner, Booms, and Mohr 1994; Keaveney 1995; Winsted 1997). The moments of interaction can occur face-to-face, on the Internet or over the phone (Bitner et al. 2000). However, due to the rapid development of technology, the nature of service encounters is changing. Rather than interacting with the employees of a firm, customers interact with technology.

Customers' use of technology-based services, such as SSTs, allows a customer to define the service more clearly and deliver it in a manner that suits their own needs (Dabholkar 1991). Thus, when providing services such as online banking via new technologies, firms have to ensure that the service quality of these services is satisfactory.

Ogunaike (2010) in a related paper examines the relationship between service quality and customer satisfaction in the Nigerian banks. Two hypotheses were formulated in this paper and appropriate statistical techniques employed to test the hypotheses were multiple regression and correlation. The paper revealed that service quality has significant effect on customer satisfaction. The result also showed that there is a relationship between gender and customer service. Conclusion was drawn and it was recommended based on the findings of the paper that the banks should focus more on their customers rather than on the products and services, which they sell because customers are the true business of every company. Several drivers of customer satisfaction and dissatisfaction in service encounters can be identified. Bitner et al. (2000) identified multiple drivers of service encounter satisfaction. These drivers are relevant to this research question as service encounters in turn influence the relationship between SSTs and customer satisfaction. They identified three drivers, namely customization/flexibility, effective service recovery and spontaneous delight.

Based on past research, it can be concluded that customers demand and expect a certain level of flexibility in service encounters (Bettencourt and Gwinner, 1996; Bitner, Booms, and Tetreault, 1990; Kelley 1993, as cited in Bitner et al. 2000). In the past, it was mainly the responsibility of the employee to assess what the customers' needs were, and consequently the employee was responsible for customization. These days, technology can play a critical role in the ability of firms to customize its services to the customers (Fisher 1998; Hart 1996; Peppers and Rogers 1997, as cited in Bitner et al. 2000). By having a complete customer database at hand for a firm's employees, the services that are offered by the firm can more easily be customized to customers' needs. In addition, technology enables the customized service being offered via SSTs. As a result, firms are better able to customize the services to the needs of the customers. This in turn saves the customers' time since they are able to get the right products that can meet their needs from the start. They don't have to keep trying the products; this can be termed as getting it right the first time.

Even though firms are trying their best to deliver a satisfactory service delivery, there are times when the service encounter fails. A failing service encounter can lead to negative outcomes such as negative word-of-mouth, loss of customers and decreased profits (Tax, Brown, and Chandrashekaran 1998). However, according to Zeithaml et al. (2009) there is a phenomenon that is known as the service recovery paradox. When a customer is dissatisfied with a service experience and receives an excellent service recovery, the customer may be more satisfied about the firm and its products than before the service recovery took place. This happens only in extreme cases, and it is certainly not a recommended course of action for a company.

In order to prevent service recovery, firms must assure that the quality of the SSTs they provide is acceptable. In the research of Meuter et al. (2000), it is shown that almost all dissatisfaction in SST encounters occurs due to service failure. These sources of dissatisfaction are "technology failure", "process failure" and "poor design". In these cases, there is almost no opportunity for service recovery.

Service recovery can be very costly to the firm so giving the customers the right products and quality services at the start can save the firm a great deal. Satisfied customers are great ambassadors for the firm; they will always bring in new customers saving the firm the cost of advertisement.

The last driver of customer satisfaction in a service encounter, according to Bitner et al. (2000), is spontaneous delight. Oliver (1997) defined spontaneous delight as "an extreme expression of positive affect resulting from surprisingly good performance". By providing customers with pleasing experiences they do not expect, customers can be satisfied during service encounters (Bitner et al. 2000). In this respect, technology can pleasantly surprise a customer, for example by saving time, saving money or because the service was easier to use than the interpersonal method of service delivery (Meuter et al. 2000). In general, it can be stated that the higher the level of service quality experienced in the service encounters, the stronger the positive effect will be on the relationship between SSTs and customer satisfaction.

According to Zeithaml and Bitner (2003), satisfaction and service quality are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Service quality is a component of customer satisfaction. Service quality is a focused evaluation that reflects the customer‘s perception of elements of service such as interaction quality, physical environment quality, and outcome quality. These elements are in turn evaluated based on specific quality dimensions: reliability, responsiveness, assurance, empathy and tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors. According to Parasuraman, Zeithaml and Berry (1988), five principal dimensions that customers use to judge service quality include- reliability, responsiveness, assurance, empathy, and tangibles as shown below.

System availability**:** Agency banking success will largely depend on reliability. One of the major measurements of reliability is the system availability. In Brazil many agents complain about downtime – POS ―frozen‖ by bank once cash limit reached, pending deposit of cash at branch, but often with a lag until POS is unfrozen.–Poor GPRS connection for some agents –Occasional maintenance required. If unable to transact for 2 days, monthly profit margin may cut by more than half from 10.6% ($124/mo) to 2.6% ($27/mo) CGAP, (2010). By its very nature the ICT phenomenon is relatively new in the developing world. Available data, suggest that the majority of developing countries such as Kenya in sub-Saharan Africa are lagging behind in the information revolution (Zhao and Frank, 2003). The system being the only connectivity between the customer and the bank will determine whether a customer request is frustrated or satisfied at the agent location. System safety and malfunction can frustrate the agent reconciliation or even facilitate fraud against the bank, customer or the agent. Reliability: the ability to perform the promised services both dependably and accurately. Reliable service performed is a customer’s expectation and means that the service is accomplished on time, in the same manner, and without error every time.

Despite the importance of ICT and emphasis by various governments to encourage SMEs to adopt ICT, it has been reported that SMEs have been slow in adopting ICT for various reasons (2004, Houghton and Winklhofer), (2001, Smallbone et al.), (2002, Dawn et al.) and (2003, Lawson et al.). SMEs have limited financial and human resources to adopt ICT, (2002, Duan et al.) Identified lack of ICT skills and knowledge in SMEs as one of the major challenges faced by all European countries, particularly in the UK, Poland and Portugal, in their study. (2004, Houghton and Winklhofer) have reported a slow response of SMEs relating to adoption of ICT, (2003, Shiels et al.) found that characteristics of the firm and industry sector are contributory factors to the adoption and exploitation of ICTs by SMEs, (2006, Kapurubandara et al.) have categorized internal and external barriers that impede adoption of ICT by SMEs in a developing country. The internal barriers include owner manager characteristics, firm characteristics, cost and return on investment, and external barriers include: infrastructure, social, cultural, political, legal and regulatory.

**2.4 Agents' float and customer satisfaction**

Agent float is the cash at hand and bank balances set aside by the agent for agent banking operations. According to CGAP (2011), the top concerns among agents are low remuneration, liquidity management and network availability. The operation of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent account at bank and crediting the customer‘s account at the bank . It is therefore not possible for an agent to receive a deposit unless the agent has sufficient credit in the bank. A customer withdrawal at the agent means the agent gives cash to the customer and the bank accounts by debiting the customer‘s bank account and crediting the agent‘s account at the bank. An agent then can only pay out a withdrawal if they have cash in their till at the shop. This means the agent has to have both cash in the bank and cash in till. This is a key challenge to banks as most agents are not able to balance the cash holding or have inadequate capital. For some reason banks have not been able to convince some businesses like large retail chains which could be ideal for agency banking. Some of the reasons given are the inability of the banks to provide reconciliation mechanism which has led to the chains loosing cash. The situation of float is even worse for remote agents who have to travel to the banks to replenish their deposits when balances run low. Erratic nature of finance services daily cash limits are also to be considered as part of anti- money laundering initiative by CBK, agents cannot transact above certain limit. Hitting this limit means the agent can only close for the day unless they have applied for higher limits. In Brazil many agents complain about downtime -POS-frozen by bank once cash limit reached, pending deposit of cash at branch, but often with a lag until POS is unfrozen(CGAP,2010).

One of the biggest challenges in rolling out banking agencies is the establishment and the effectiveness of the agent network. Agents are the touch-points where the subscribers of the service can get money into and out of the system. Agents are often also referred to as cash-in and cash-out points (Kumar & Mohanty, 2012). In instances where a subscriber arrives at an agent with the need to withdraw a large amount it does happen that the agent do not have enough cash to satisfy the cash-out request. This leads to frustration and is one of the reasons why take-up of these systems is slower than what is expected. This problem is referred to as the agent liquidity problem-how to ensure that the agent has sufficient cash available to satisfy the need of the system (Birch, 2008).

In yet another related study, Cutcher (2014) indicates that liquidity management actually takes two forms: management of electronic value in the mobile wallet and cash management. Management of electronic value is the mobile money transactions between a retail agent and a customer requires that the retail agent has cash value in their mobile wallet. As the agent provides financial services throughout the day, the cash amount on their phone fluctuates up and down, depending on whether they are accepting funds or paying out. When the amount in the retail agent's mobile wallet is used up, the agent cannot perform additional services and needs to refill their account. If the agent does not have a bank account linked to their mobile wallet, this means they need to make a trip to the bank to transfer cash into electronic value. It is becoming more common for electronic liquidity to be handled not only by the retail agents, but also by the master agents (Jayo et al., 2012).

The other form of liquidity management relates to physical cash. Customers who are seeking to make cash deposits into their mobile wallets or to withdraw cash from their accounts will go to retail agents. With cash-in transactions, customers deposit their money with retail agents while cash-out transactions result in customers seeking to withdraw funds via retail agents. Depending on the relative volumes of cash-in or cash-out transactions in any given day, the retail agent can become either cash-rich, with too much cash on hand, or cash-poor. In the latter case, the agent does not have enough cash to provide the customer with the full amount of their withdrawal request. Often customers must return the following day to obtain their money (Birch, 2008).

If an agent remains closed for a day for various reasons then the agent earns zero on such a day. When customer are satisfied they gain confidence in the agent and because of customer retention and growth the agent is expected to grow the number of customers who are attached to the agent and thus an increase in transaction numbers which will then translate to commission earned. The availability of network is key to an agent performance while Banks and their agents have to contend with customers complaints in cases such as, customer being poor connectivity constraints the number that are handled at the agent location. Complaint resolution: debited with cash he did not receive because of incomplete withdrawal transactions, an urgent deposit ‗hangs' somewhere else other than the beneficiary account due to system failure, where the agent has erroneously entered the wrong account number or bill account. This could mean a stranded commuter, a son or daughter somewhere being sent home for non-remitted school fees, a punitive disconnection of utility supply. How such complaints or errors are handled could mean retention or loss of the customer for good. Bindra, (2007) states that a satisfied customer will tell one other customer about the experience but a dissatisfied customer will tell a crowd

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## 2.5 Agency Banking accessibility and customer satisfaction

The agent is the primary interface between the Bank and the customers. His/her ability to sell the product influences customer acquisition and his/her ability to explain critical features and procedures ensures usage. At the outset, s/he explains the product to customers and sometimes even physically shows them how to conduct transactions. Thus, the customer's experience is largely determined by the agent. An important part of the customer's experience is ensuring that they are comfortable in the location in which they conduct the transaction and that they are provided with clear and transparent documentation. This ensures that the customers come back for repeat transactions, which increases their comfort level with the channel. The question to ask is, "Does the counter at the agent's location have enough space (and privacy) for the customer?"

The cost of the service will play a part in determining the extent to which customers will use it. In addition, there may be additional services that customers may want to pay for, such as cheque deposits or account statements, or there may be existing services for which customers are not willing to pay. Kenya, is a developing country with a total population of 43 million people, with slightly lower than average income inequality measured by the Gini Coefficient at 47.7 compared to South Africa‘s Gini coefficient 57.8; Brazil‘s 55.0; Peru‘s 49.6, Mexico‘s 48.1 and India‘s 36.8 (UNDP, 2009). This population needs continuous cash flow for development and mobile banking has been making waves.

Mobile banking offers numerous benefits to SMEs. SMEs can check account balances, transfer money, pay bills, collect receivables and ultimately reduce transaction costs and establish greater control over bank accounts. Agency banking in Kenya has then to go an extra mile to be able to match such convenience. Indeed several initiatives are in that direction. These initiatives include extended banking hours with some agents reportedly opening as early as 06.00hrs and others closing as late as 01.00hrs. The mobile banking platform which for some majority of banks is a prerequisite for using the agency banking is whipping masses into convenience banking with as much control of one‘s bank account as would a Telco service. Hours of banking: Competition for customers has pushed banks to extend their opening hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays. Standard Chartered, ABC, Diamond Trust, NIC and 7a.m and 8p.m, from what has been the traditional banking hours of between 9a.m and 3p.m.

Proximity: Assessed whether the distance covered to access bank services and the associated time and cost of transport are real incentives to alter the customer decision whether to visit the bank or the agent. According to (Kithuka, 2010) distance does not influence the frequency of customer transactions. This cannot be interpreted to mean proximity has zero effect on agency adoption. Customers will not knowingly incur more in terms of time and financial cost to do a bank transaction at the bank unless it is not available at the agent‖ (CBK Governor, 2011) ‗Lower transaction costs were incurred since client/ entrepreneurs would visit agency any time without incurring any additional cost like transport cost to bank their cash. Agencies are more accessible for illiterates and the very poor who might feel intimidated in branches with low amount of money they would wish to withdraw and deposit. Though most people are not aware of these costs, to some extent they do influence the customer decision to use agency banking or not to use the agency banking hence influences the performance and growth of agency banking' (Ombutura & Mugambi, 2013).

Agency banking accessibility will assess whether the distance covered to access bank services and the associated time and cost of transport are real incentives to alter the customer decision whether to visit the bank or the agent. According to (Kithuka, 2010) distance does not influence the frequency of customer transactions. This cannot be interpreted to mean agency accessibility has zero effect on customer satisfaction. ―Customers will not knowingly incur more in terms of time and financial cost to do a bank transaction at the bank unless it is not available at the agent‖ (CBK Governor, 2011). Lower transaction costs were incurred since client/ entrepreneurs would visit agency any time without incurring any additional costs like transport cost to bank their cash. Agencies are more accessible for illiterates and the very poor who might feel intimidated in branches with low amount of money they would wish to withdraw and deposit. {www.ijbcnet.com International Journal of Business and Commerce Vol. 3, No.8: Apr 2014[91-111] (ISSN: 2225-2436) *Published by Asian Society of Business and*

*Commerce Research* 99}. Though most people are not aware of these costs, to some extent they do influence the customer decision to use agency banking or not to use the agency banking hence influences the performance and growth of agency banking‘(Ombutura & Mugambi, 2013).

Hours of banking: Competition for customers has pushed banks to extend their opening hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays. Standard Chartered, ABC, Diamond Trust, NIC and Barclays Bank of Kenya have recently announced an extension of their opening hours to between 7a.m and 8p.m, from what has been the traditional banking hours of between 9a.m and 3p.m. Diamond Trust Bank has extended its operating hours for five outlets in Kenya and six in Uganda, which now operate for seven days a week between 8a.m to 8p.m."We had to introduce new staff shifts, increased security and investment in technology," said Naomi Mangatu, senior manager for marketing and corporate communications at the bank. Ms. Mangatu said DTB is planning on opening a sixth extended hour‘s branch in Nairobi. ABC Bank Group Managing Director Shamaz Savani attributed the extension of banking hours to increased economic activities, traffic jams that have cut peoples' spare time and change of Kenyan's lifestyles. Mr. Savani said the bank's long-hour branches are targeted at late night shoppers in high income residential areas. "We looked at the foot traffic, area security and location while selecting the branches. For the Eldoret branch we considered the presence of Nakumatt, which is located opposite our branch and operates for 24 hours." said Mr. Savani. Standard Chartered Bank said the extension is meant to accommodate customers' busy schedules. Executive director of the Kenya Bankers Association John Wanyela said the increased banking hours point to a shift towards a 24-hour economy, adding that it will help retailers such as supermarkets that wish to operate for long hours. Some banks have also taken advantage of the introduction of the agency banking model to have their operations in outlets such as supermarkets that open for 24-hours or up to late in the night (Property Kenya, 2010). While this is happening targeted the high net worth, the low income earners have moved with the trend as they facilitate and service such lifestyle change.

## 2.6 Customer Satisfaction

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption-related fulfillment (Henning-Thurau and Thurau, 2003). In the case of banks, satisfaction refers to the extent to which banking products and services meet customer needs. Customer satisfaction has many facets. Some of the observable measures are service quality, loyalty; repurchase behavior and trust, among others. These measures have been studied extensively in isolation or together by different marketing scholars. Previous studies in the developed countries such as the studies done by Anderson and Fornell (2001) and Anderson and Mittal (2000) have attempted to look at different dimensions of quality service and how they relate to customer satisfaction. Almost all studies reviewed are unanimous that a satisfied customer is loyal and contributes to profitability.

Customer satisfaction entails customer needs and expectations being met all the time, every time throughout the life of a product or service (Roger and George, 2001; Gustafsson, Johnson and Ross, 2005). Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to the person's expectations (Kotler, Armstrong and Cunningham, 2002). As the definition indicates, satisfaction is a function of perceived performance and expectations. The term 'customer satisfaction' is a subjective, non-qualitative term. Customer satisfaction results from either the quality of banking services (product), quality of service, engagement of the customer, price factors and meeting or exceeding customers' expectations, consuming products and services (Prabhakar, 2005). If the performance of a bank falls short of these expectations, the customer becomes dissatisfied. If the performance matches expectations, the customer is satisfied. If the performance exceeds expectations, the customer is delighted. Only delighted customers or highly satisfied customers stay loyal to the services provider (Salmen and Muir, 2003; Dubrovski, 2001).

There is a diversity of definitions for customer satisfaction. From the review of literature it is apparent that researchers have tended to use determinants of customer satisfaction to define and measure customer satisfaction. Some of the determinants used include loyalty, quality service, expectations and disconfirmation. The early researchers in the field of customer satisfaction used any of these determinants or in combination, for instance expectation and disconfirmation (Kang, Nobuyuki and Herbert, 2004), expectation and performance (Johnson, Anderson and Fornell, 2001); quality and disconfirmation (McQuitty, Finn and Wiley, 2000) and expectation and quality (Giese and Cote, 2002) to define customer satisfaction. Customer satisfaction has been of key interest to researchers for the last two and a half decades. Researchers have established some of the key antecedents of customer satisfaction in retail banking with respect to customer satisfaction in the competitive world of business as well as the key antecedents to overall customer satisfaction in any other industry (Jamal, 2004).

Satisfaction reinforces positive attitudes toward the brand, leading to a greater likelihood that the consumer will repurchase the same brand. Dissatisfaction results when consumer expectations are not met. Such disconfirmation of expectations is likely to lead to negative brand attitudes and lessens the likelihood that the consumer will buy the same brand again.. As customers feel more satisfied with services, they will be more likely to repurchase and encourage others to use the products or services by word-of-mouth. Coldwell (2001), under the auspices of "Growth Strategies International'' (GSI) performed a statistical analysis of Customer Satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by Info Quest. The conclusions of the study were:

- "A totally satisfied customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer;
- A totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer; and
- A totally dissatisfied customer decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business."

## 2.7 Theoretical Framework

The study had its underpinning on the theory of Disconfirmation. It was postulated by Szymanski and Henard. The Disconfirmation theory argues that 'satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations'. Szymanski and Henard found in the meta-analysis that the disconfirmation paradigm is the best predictor of customer satisfaction. Ekinci et al (2004) cites Oliver's updated definition on the disconfirmation theory, which states "Satisfaction is the guest's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment".

Mattila, A & O'Neill, J.W. (2003) discuss that "Amongst the most popular satisfaction theories is the disconfirmation theory, which argues that satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. Basically, satisfaction is the result of direct experiences with products or services, and it occurs by comparing perceptions against a standard (e.g. expectations). Research also indicates that how the service was delivered is more important than the outcome of the service process, and dissatisfaction towards the service often simply occurs when guest's perceptions do not meet their expectations.

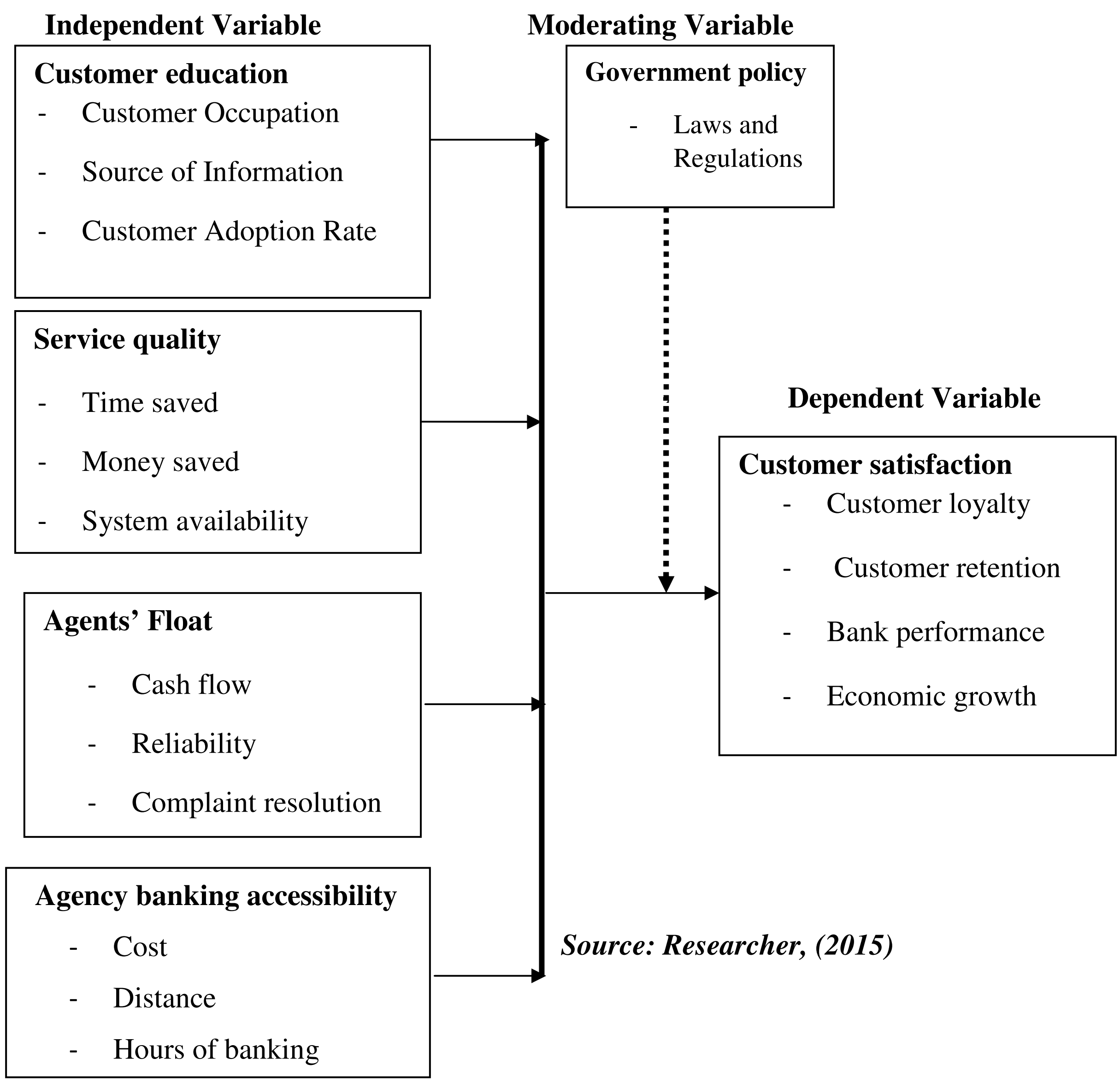
This theory is supported by Nelson and Winter's, (1982) evolutionary theory of the organizational capabilities and behaviors of business firms operating in a market environment. The firms in their evolutionary theory are treated as motivated by profitability and engaged in the search for ways to improve their profitability, but the firm's actions are not assumed to be profit maximizing over well-defined and exogenously given choice sets. Evolutionary theory emphasizes the tendency for the more profitable firms to drive the less profitable firms out of business. This would be true for agency banking where financial institutions engaging in this kind of service will get more customers and could easily drive out those firms without such a service. In addition, Teece, Pisano, and Shuen (1997) view the dynamic capabilities perspective as building on Schumpeter (1934, 1950), Nelson and Winter (1982), and Teece (1982). Focal concerns are resource accumulation, replicability, and inimitability of organizational capabilities.

## 2.8 Conceptual Framework

Reiche and Ramey (1991) define a conceptual framework as "a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation." The study was guided by the following Conceptual Framework:

**Conceptual Framework**

**Determinants**




***Source: Researcher, (2015)***

**Figure 1: Conceptual framework showing relationships between variables**

The framework shows the relationship between customer education, service quality, agents' float and agency banking accessibility with customer satisfaction. The independent variables are: customer education, service quality, agents' float and agency banking accessibility. These variables influence customer satisfaction which is the dependent variable. The economic factors and government policies are the moderating variables; they significantly affect the relationship between the independent variables and customer satisfaction. Risk is the intervening variable since it affects the relationship between the independent variables and customer satisfaction but it is difficult to measurer sees the nature of its influence on customer satisfaction.

## 2.9 Gaps Identified

The study involved intensive review of literature related to agency banking and customer satisfaction. Various gaps in existing literature have been identified which further informs the direction that the study will take. According to Anderson and Sullivan (1993), in order for companies to be profitable, they must ensure the development of customer loyalty. Therefore it becomes of crucial importance that companies educate their customers as this can help customers to perform the expected tasks better. According to Hennig-Thurau, Honebein, and Aubert (2005) and Honebein and Cammarano (2006) (as cited in Benoit 2007) the ability of a customer to perform a consumption-related task is a key determinant of customer satisfaction and loyalty. The ability of a customer to perform such a task is highly influenced by customer education.

Therefore according to Anderson and Sullivan (1993), it is essential that, when a new service such as Internet banking is launched, customers know how to use the service. Also in their studies, Weijters et al. (2005) attached more importance to the time gain that comes with using Self-Service Technologies (SSTs). With the proper service education, and found out that the use of SSTs can positively affect customer satisfaction and in turn customer loyalty and business performance. The researcher will evaluate the extent to which customer education in making transactions in agency banking services affects customer satisfaction. According to Zeithaml et al. (2009) customers must fulfill 01their roles appropriately in order for a service to be successful. If customers are not properly prepared for the use of a new service, they will not know how to use it, which leads to disappointment. This in turn will result in less satisfaction and ultimately less loyalty of the customers towards the company.

In a study by Lee (1999), consumers choose between services ranging from loan applications to share and bond investing. The complexity of these services differs greatly. Durkin (2007) developed a three-way categorization of the complexity of financial products. Simple financial services are for example motor insurance, credit card and a bank savings account. Medium financial services are for example life insurance, a personal loan and stocks and shares. Complex services are for example a mortgage, a personal equity plan and a pension fund. The distinction between these services is based on the certainty of outcome, the number of process stages and the ability to understand these services by customers.

The financial services offered by banks have been outsourced via technology. As the customer has a very important role in these services, these technologies can also be referred to as customer-driven technologies (Slack, Chambers, and Johnston, 2007). When the customer is confronted with a complex financial service, it needs to take a lot of steps and a good understanding of the service to complete the service. Also, the outcome of performing a service that is complex is uncertain. As a result, the customer may not be able to perform the service by himself and service failure will occur (Zeithaml et al. 2009). In general, the more complex the financial service will be, the more difficult it will be for the customer to achieve the desired results. Therefore, the stronger the negative effect will be on the relationship between SSTs and customer satisfaction. The researcher will ascertain the extent to which complexity of agency banking affects customer satisfaction since it is a new idea in banking sector and many changes are destined to occur.

Oliver (1997) defined spontaneous delight as “an extreme expression of positive affect resulting from surprisingly good performance”. By providing customers with pleasing experiences they do not expect, customers can be satisfied during service encounters (Bitner et al. 2000). In this respect, technology can pleasantly surprise a customer, for example by saving time, saving money or because the service was easier to use than the interpersonal method of service delivery (Meuter et al. 2000). In general, it can be stated that the higher the level of service quality experienced in the service encounters, the stronger the positive effect will be on the relationship between SSTs and customer satisfaction.

In addition, Ogunaike, (2010) in a related paper examines the relationship between service quality and customer satisfaction in the Nigerian banks. Two hypotheses were formulated in this paper and appropriate statistical techniques employed to test the hypotheses were multiple regression and correlation. The paper revealed that service quality has significant effect on customer satisfaction. The result also showed that there is a relationship between gender and customer service. Conclusion was drawn and it was recommended based on the findings of the paper that the banks should focus more on their customers rather than on the products and services, which they sell because customers are the true business of every company. In this study, the researcher will adopt case study design to establish how quality of service in agency banking affects customer satisfaction in Kenya Commercial Bank, Bungoma Branch. The researcher will use objectives and research questions.

Lee (2002) in his study saw that the best method for a firm to establish meaningful and close relationships with its customers is through face-to-face interaction. This method is defined as one of the best methods for establishing a relationship since it involves verbal and visual information and feedback. The implementation of Self-Service Technologies (SSTs) within a firm will result in less frequent interactions between the representatives of the firm and its customers and consequently the strength of the relationship between the two parties will lessen. The researcher will adopt case study to establish how personal need affects customer satisfaction in agency banking in Kenya Commercial Bank, Bungoma Branch.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter presents the research strategy of the present study. Included in this chapter is information on population and sample of research participants, research design and sources of data. In addition, data collection instrument, procedure and data analysis technique is also presented.

## 3.2 Research design

The study applied a descriptive research design. Descriptive research design is a systematic, empirical inquiry into which the researcher does not have direct control of independent variables as their manifestation has already occurred or because they are reflecting the state of happenings and qualify the obtained findings through the use of quantitative analysis (Mugenda and Mugenda 2003). Descriptive research is concerned with how, what is or what exists is related to some preceding event that has influenced or affected a present condition or event (Best, 1970). This is in line with the purpose of the study as it sought to investigate the factors influencing customer satisfaction with Kenya Commercial Bank agency banking in Bungoma County. The researcher preferred descriptive research design because the variables under study have already occurred and beyond control. Also this design gives this study the advantage of collecting original data for the purpose of describing a population which is too large to observe directly hence good for the purpose of generalization (Cohen, Manion and Morrison, 2000). Descriptive survey gathers data on a one-shot basis and hence is economical and efficient (Morrison, (1993). Descriptive survey is also compatible with questionnaire and interview schedule which the research employed in collecting data (Mugenda and Mugenda, 1999).

## 3.3 Target population

The study population comprised of 120 KCB agents each with an approximate daily average of 10 customers served. Therefore 120 KCB agents together with 1200 customers made 1,320 as the target population.

## 3.4 Sample Size and Sampling Techniques

According to Chandran (2004) sampling is the selection of a portion of population such that the selected portion represents the population adequately. The research employed stratified random sampling in selecting respondents. The population was segregated into several mutually exclusive subpopulations or strata herein referred to as KCB agents categories.

### 3.4.1 Sample size

Gay (1992) suggests that at least 10% of the population is a good representation where the population is large and 20% where the population is small. Therefore20% of the target population of 1320 respondents had a sample size of 264 respondents comprising of 24 agents (20% of 120) and 240 customers (20% of 1200).

### 3.4.2 Sampling Techniques

24 agents and 240 customers were selected using cluster sampling; a probability sampling method since the agents are located in different streets and rural areas. For every one agent selected, 10 customers that are served by the same agent were also selected. The customers were selected using convenience sampling technique, a non-probability sampling method. Non-probability sampling is any sampling method where some elements of the population have no chance of selection, or where the probability of selection cannot be accurately determined. This strategy was chosen because the agents would only give questionnaires to customers who visit them within one week. The convenience sampling (sometimes known as accidental or opportunity sampling) used is a type of non-probability sampling which involves the samples being drawn from that part of the population which is close to hand. That is, a participant is selected because it is readily available and was convenient to be selected.

## 3.5 Data Collection Instruments

The researcher employed two data collecting instruments in the study. These were:

i. Researcher developed questionnaires, and

ii. Interview schedule.

In researching human beings, no single source of information can be trusted to provide a comprehensive perspective in any study program. As a result it is imperative to use several methods of data collection to improve on the reliability and validity of the data collected (Smith, 1975; Kitainge, 2005). Schofield and Anderson (1984) reports that using a combination of data sources and collection methods are a validating aspect which cross-checks the data. This use of combined data collection methods and sources such as interviews and questionnaires increases the validity and reliability of the information since the strength of one approach compensates for the weakness of another approach (Cohen, Manion and Morrison, 2000).

The main technique applied by the study was of the questionnaires which were issued to the respondents and given enough time to answer the questionnaires. Mugenda and Mugenda (2003) points out that questionnaire are easier to administer as compared to interview. They also promote confidentiality as the respondent identity is not indicated. Questionnaire technique was preferred because it covers a wide range of area and also it reaches many respondents at a cheaper cost. It also saves a lot of time (Kothari, 2004). The questionnaire contained carefully framed questions in 5 parts; A, B, C, D and E. Part A aimed at the collection of demographic information on the participants. This included age, sex, occupation and number of years banking with KCB. This was to determine the category of individuals who bank with the bank. Part B focused on customer education. Academic level is most important because without minimum education, one cannot access the banking services and a customer will need to understand the type of services provided by the bank and where to access the services.

Part C focused on the service quality. It gathered information on the satisfaction of customers with services delivered. The timeliness of the services offered, the accuracy of the transactions done, the cost of the services and the easiness of use of the services were sought. This was meant to find out whether the introduction of the agency banking services has influence on service delivery and their satisfaction with the services. Part D focused on agents' float. This aimed to know whether the agents hold sufficient float at all times, i.e. reliable float throughout the day. Part E focused on the agency banking accessibility. This aimed at collecting information on how accessible are the agencies in relation to their locations.

The researcher also conducted interviews on the agents using an interview schedule. The researcher used structured interviews to interview the agents. Structured interviews are easier to analyze, economical and provide a basis for generalization (Kothari, 2004). The interview based on their day to day operations and interaction with the customers.

### 3.5.1 Piloting of the instruments

A pilot study was conducted using customers of Equity bank who also have a similar service. The researcher picked 10 Equity agents in Bungoma County and each agent was given 10 questionnaires to be given to the customers who come for services at the agencies. The responses from the pilot study were reviewed to find out if the questionnaire was clearly stated. The researcher revised the items to render clarity in the main study. The purpose of the piloting was to find out whether the questionnaires were understood by the respondents and whether the required information could be gotten by the researcher. The researcher chose a different bank for the piloting to avoid information leakage to the target population which enhanced accurate data gathering during the research.

### 3.5.2 Validity of the instruments

Validity is the degree which the results obtained from analysis of data present phenomena under study (Mugenda and Mugenda, (2003); Kombo and Tromp, (2006); Best and Kahn, (2003) .The researcher constructed a questionnaire; peer and research measurement experts from the department of extra- Mural Studies at university of Nairobi were used to validate the instrument. Three peers were graduate students undertaking research in a related area to the study. They were asked to evaluate the instrument in terms of content and face validity. They were used to ensure that the items in the questionnaire captured the intended information accurately according to the objectives of the study. A pilot study was also carried out and the feedback from the pilot study was used to test the validity of the instruments.

### 3.5.3 Reliability of the instruments

The reliability of the instruments was established using Cronbach's alpha. The researcher used the Cronbach Alpha coefficient in order to establish reliability using the formula $\alpha = \frac{k}{k-1}\left(1 - \frac{\Sigma Sd^2 i}{\Sigma Sd^2 t}\right)$ (where: α= alpha coefficient, k= number of items, Σ= summation, $SD^2$ i= squared standard deviation within each item and $SD^2$ t= total standard deviation squared). If the result is found to be above 0.5, then the instrument is consistent and, therefore, reliable.

## 3.6 Data collection procedure.

The study involved preparation of a project proposal. The proposal was defended at the panel of scholars representing the University of Nairobi. Upon approval of the proposal by the panel, the researcher was granted permission by the panel to carry out the research. The researcher appointed two research assistants with knowledge of research to assist in collecting and analyzing the data. An introduction official letter was drafted by the researcher to the Kenya Commercial Bank agents. The researcher also acquired a research authorization letter and clearance permit from the National Council for Science and Technology.

The researcher distributed the questionnaires to the selected agents who would give to the customers who would visit them. During data collection, every selected customer was given a questionnaire to fill and give back the forms to the agents in sealed envelopes for confidentiality. The researcher collected the forms after a week. Some questions aimed at measuring the expectation of the customers. These were statements that sought to describe how services at the agents should be like. The statements were coined in such a way that they express a desire of the respondents for a particular attribute of service quality [Daniel & Berinyuy, 2010]. Other questions sought to measure perceptions. These were statements that are a description of particular service attributes at the agency for which respondents are expected to rank the statements according to how far they think these statements apply to the KCB bank agents in Bungoma Branch from their experience.

### 3.7 Data Aanalysis Techniques

After data had been collected, the close-ended items in the data collection instrument were assigned codes and labels. Frequency counts of the responses were then obtained, to generate descriptive information about the respondents that participated in the study and to illustrate the general trend of findings on the various variables that were under investigation. This involved the use of percentages and tables because they help to summarize large quantities of data whilst making the report reader friendly (Mugenda and Mugenda, (2003); Sarantakos, (1998). The data from the interviews was carefully read. The responses were edited for grammatical correctness, coherence, chronology and precision and presented as quotations so as to triangulate the data obtained through the administration of the close ended instruments, which is qualitative in nature. The responses were organized; coded and analyzed using descriptive statistics (tables, frequencies, percentages).

### 3.8 Ethical Considerations

During this research process, the researcher upheld integrity and high moral standards. The researcher sought permission from the agents before distributing the questionnaires. The researcher kept time, respected the respondents' feedback and decision and treated the information given by the respondents with confidentiality.

### 3.9 Operational Definition of Variables

The table below shows the relationship between the objectives and the variables in the study, for each objective there's an independent variable and a dependent variable. The indicators used for each objective were illustrated and the type of scale of measurement used for each case.

### 3.10 Operational definition of variables

| Objective | Type of variable | Indicators | Source | Scale of measurement | Statistical Test | Significance Level |
|---|---|---|---|---|---|---|
| To establish the extent at which customer education affects customer satisfaction. | **Independent:** Customer Education | Customer Education Source of information<br><br>Customer adoption rate | Kenya Commercial Bank Agency Bungoma County | Nominal | Frequencies,<br><br>Cross tabulation | 0.05 |
| | **Dependent:** Customer satisfaction | Customer Loyalty<br>Customer Retention<br>Bank Performance<br>Economic growth | Kenya Commercial Bank Agency Bungoma County | Ordinal<br>Nominal | | |
| To determine how service quality affects customer satisfaction | Independent: Service Quality | Time saved<br>Money saved<br>System availability | Time saved<br>Money saved<br>Easiness of service | Ordinal<br>Nominal | Frequencies,<br><br>Cross tabulation | 0.05 |
| | **Dependent:** Customer satisfaction | Customer Loyalty<br>Customer Retention<br>Bank Performance<br>Economic growth | Kenya Commercial Bank Agency Bungoma County | Ordinal<br>Nominal | | |
| To examine how agent float influences customer satisfaction | **Independent:** Agents' float | Cash flow<br><br>Reliability<br><br>Agents type of business | Kenya Commercial Bank Agency Bungoma County | Ordinal | Frequencies,<br><br>Cross tabulation | 0.05 |
| | **Dependen**t: Customer satisfaction | Customer Loyalty<br>Customer Retention<br>Bank Performance<br>Economic growth | Kenya Commercial Bank Agency Bungoma County | | | |
| To ascertain how agency banking accessibility influences customer satisfaction | **Independent:** Agency Banking Accessibility | Distance/proximity<br><br>Cost<br><br>Hours of Banking | Kenya Commercial Bank Agency Bungoma County | Ordinal | Frequencies,<br><br>Cross tabulation | 0.05 |
| | **Dependent:** Customer satisfaction | Customer Loyalty<br>Customer Retention<br>Bank Performance<br>Economic growth | Kenya Commercial Bank Agency Bungoma County | | | |

**Table 3.1 Operational Definitions of Variables**

# CHAPTER FOUR

# DATA ANALYSIS, PRESENTATIONS AND INTERPRETATION

## 4.1 Introduction

This chapter presents data analysis, presentations, interpretation and discussions. The chapter is presented under the following sub-topics; customer education and customer satisfaction, service quality and customer satisfaction, agents float and customer satisfaction and agency banking accessibility and customer satisfaction with Kenya Commercial Bank Agency Banking.

## 4.2 Instrument Return Rate

This study targeted all the agents of KCB Bungoma branch and the customers who are directly served by KCB agency activities. A total of 264 questionnaires dispatched to agents and customers of the selected KCB agency activities in Bungoma County out of which 218 were duly filled and returned giving a response rate of 82.6%. Table 4.1 shows the distribution and return rates of respondents for the study.

**Table 4.1 Questionnaire Return rate**

| Target category | Dispatched | Returned | Return rate (%) |
|---|---|---|---|
| Agents | 24 | 20 | 83.3 |
| Customers | 240 | 198 | 82.5 |
| **Total** | **264** | **218** | **82.6** |

From the Table 4.1, the percentage return rate was 82.6% (N=218). According to Nachimias and Nachimias (1958) 80% to 90% return rate is enough for a descriptive research study. This return rate was appropriate for data analysis and discussion for a descriptive study. Therefore the return rate boosted the reliability of the study findings. According to Punch, K. F. (2003), Response rates are more important when the study‘s purpose is to measure effects or make generalizations to a larger population and less important if the purpose is to gain insight. According to Mugenda and Mugenda (1999), a 70% response rate is very good. Although the results may be interpreted to indicate a good response rate, a failure of 11.4% to report may be explained by lack of knowledge in agency banking and time constraints due to detailed returns of the data collection tools.

### 4.3 Demographic Characteristics of the Respondents

In this section, the demographic information of the respondent established the general background of the respondents that participated in the study. The areas discussed include gender, age, educational level, respondents position, how long the respondent had served in the position,

#### 4.3.1 Respondents Distribution by Gender

An item was included in the questionnaire which sought information on the gender of the customers responding to the survey. Out of the 198 interviewed, 42.9% were male (N=85) and 57.1% (N=113) were female respectively.

**Table 4.2 Respondents' Distribution by Gender**

| Gender | Frequency | Percentage (%) |
|---|---|---|
| Male | 85 | 42.9 |
| Female | 113 | 57.1 |
| **Total** | **198** | **100.0** |

As from Table 4.2, the number of women who visited the agents for banking services is higher than that of men by 14.2% responses. This could be an indication that majority of women prefer when services are closer to them because of many other social obligations or due to varied reasons not in the scope of this study.

### 4.3.2 Respondents Distribution by age

The study also sought to establish the range of age of the customers. 37 (18.7%) were aged 18-24 years old, 21.2% (N=42) were between 25-35 years old, 31.8% (N=63 ) were between 35-44 years old and 28.3% (N=56) were over 45 years old. Table 4.3 summarizes the distribution of the customers by age.

**Table 4.3 Respondents Distribution by Age**

| Age | Frequency | Percentage (%) |
|---|---|---|
| 18-24 Years | 37 | 18.7 |
| 25-35 Years | 42 | 21.2 |
| 35-44 Years | 63 | 31.8 |
| >45 Years | 56 | 28.3 |
| **Total** | **198** | **100.0** |

From Table 4.3, the findings show that most of the respondents were between 35-44 years of age by 28.3% (N=63) responses. Clearly, most customers are above youthful population.

### 4.3.3 Customers level of education with KCB agency Banking in Bungoma County

The researcher also found it necessary to establish the educational levels of the customers. The findings showed that 1.0% (N=2) of the customers have no education, 29.8% (N=59) of the customers had attained primary school education, 37.4% (N=74) secondary education while 31.8% (N=63) have attained college or university level education. Table 4.4 shows the study findings

**Table 4.4 Respondents Distribution by Level of Education**

| Level | Frequency | Percentage (%) |
|---|---|---|
| No Education | 2 | 1.0 |
| Primary | 59 | 29.8 |
| Secondary | 74 | 37.4 |
| College/University | 63 | 31.8 |
| **Total** | **198** | **100.0** |

The study revealed that there is no significant variance among the customers who have had some level of education. Only 1% of the customers have little or no education. This implies that some level of education plays a role in the uptake of the agency banking services. Perhaps majority of the customers with little or no education prefer visiting the bank branches than the agencies.

### 4.3.4 Customers' occupation with KCB agency Banking in Bungoma County

The customers' occupational distribution shows that 15.7% (N=31) are civil servants, 9.1% (N=18) work with the private sector, 18.2% (N=36) are employed, 26.8% (N=53) are traders or businessmen/women, 22.7% (N=45) are artisans and 7.6% (N=15) of the respondents are involved in other occupations. Table 4.5 represents this distribution.

**Table 4.5 Customers' occupation**

| Position | Frequency | Percentage (%) |
|---|---|---|
| Civil Servant | 31 | 15.7 |
| Private Sector | 18 | 9.1 |
| Employed | 36 | 18.2 |
| Traders/Business | 53 | 26.8 |
| Artisan | 45 | 22.7 |
| Others | 15 | 7.6 |
| **Total** | **198** | **100.0** |

Findings therefore show that majority of the customers who consume the agency banking services are traders or businessmen/women and the artisans. This could be due to the nature of these occupations which involve irregular inflow and outflow of cash hence frequent deposits or withdrawals. Civil servants, private sector workers and the employed seem to visit the agents mostly at end months or only when it is necessary.

### 4.3.5 Service experience with KCB agency banking in Bungoma County

The respondents were asked to state their Service experience with KCB agency banking in Bungoma County and how it has contributed to their satisfaction and the findings shows that 10.6% (N=21) of the respondents said they had used KCB agency banking for a period < 1 Month, 24.7% (N=49) of the respondents had only used between 1-6 Months. Between 6 Months and 1 year constituted 39.4% (N=78) of the respondents, while those who had been in operation for the service for more than 1 year were only 25.3% (N=50) of the respondents. This is fair representation of Service experience with KCB agency banking and Table 4.6 represents the distribution of the customers and the period they have been using the KCB agency banking services.

**Table 4.6 Service experience with KCB agency Banking**

| Period | Frequency | Percentage (%) |
|---|---|---|
| <1 Month | 21 | 10.6 |
| 1-6 Months | 49 | 24.7 |
| 6 Months-1 Year | 78 | 39.4 |
| >1 Year | 50 | 25.3 |
| **Total** | **198** | **100.0** |

Majority of the respondents 39.4% (N=78) have used the KCB agency banking services for more than six months may be due to the perceived convenience of the services as compared to the conventional banking services that are rigid and limited.

## 4.4 Customer level of education and awareness against customer satisfaction with KCB Agency Banking in Bungoma County

The study sought to determine how Customer education and awareness influence customer satisfaction with KCB Agency Banking in Bungoma County under the following themes; Customer education, Source of information and customer adoption rate.

### 4.4.1 Extent of customer awareness of the existence of KCB agency banking against Customer Satisfaction in Bungoma County

On a scale of Great extent (GE), some extent (SE), little extent (LE) and virtually nothing (VN), the respondents were asked to state the extent to which customers are aware of the existence of KCB agency banking in Bungoma County and the findings showed that 12.6 % (N=25) of the respondents asserted to great extent the customers were aware of the existence of KCB agency banking,50.0% (N=99) to some extent, 35.4% (N=70) to little extent while 2.0% (N=4) of the respondents said virtually nothing to the statement. Concerning the existence of agency banking has been of great convenience, 57.6% (N=114) of the respondents indicated to great extent, 41.4% (N=82) to some extent, and 1.0% (N=2) to little extent while 0.0% (N=0) said virtually nothing to the statement. Table 4.7 illustrates the study findings.

**Table 4.7 Extent of customer awareness of the existence of KCB agency banking against Customer Satisfaction**

| Extent of customer awareness of KCB agency banking | GE | | SE | | LE | | VN | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % |
| I am aware of the existence of KCB agency banking | 25 | 12.6 | 99 | 50.0 | 70 | 35.4 | 4 | 2.0 | 198 | 100 |
| The existence of agency banking has been of great convenience | 114 | 57.6 | 82 | 41.4 | 2 | 1.0 | 0 | 0.0 | 198 | 100 |

From Table 4.7, half 50.0% (N=99) respondents indicated to some extent that customers were aware of the existence of KCB agency banking. It is essential that, when a new service such as Internet banking is launched, customers know how to use the service. The existence of agency banking has been of great convenience and majority of the respondents asserted to great extent by 57.6% (N=114) responses. These findings concur wither other findings by Zeithaml et al. (2009) that customers must fulfill their roles appropriately in order for a service to be successful. If customers are not properly prepared for the use of a new service, they will not know how to use it, which leads to disappointment. This in turn will result in less satisfaction and ultimately less loyalty of the customers towards the company. In addition, less satisfied customers will also have a negative effect on other customers through for example word-of-mouth (Richins 1983). This disappointment is mainly caused by the fact that, in case of a service failure, customers will often hold the firm responsible even though the customers themselves may be the cause of the service failure (Zeithaml et al. 2009). According to Hennig-

Thurau, Honebein, and Aubert, (2005) and Honebein and Cammarano, (2006) (as cited in Benoit, (2007) the ability of a customer to perform a consumption-related task is a key determinant of customer satisfaction and loyalty. The ability of a customer to perform such a task is highly influenced by customer education. This results shows that the KCB bank customers are aware of the existence of agency banking in Kenya.

### 4.4.2 Source of information and Customer Satisfaction on KCB agency banking in Bungoma County

The respondents were again asked to respond to a follow up question item that sought to establish the source of information for those who indicated to have heard about the KCB agency banking. It was revealed that the radio was the leading medium in creating awareness concerning KCB agency banking services at 38.4% (N=76) followed by mobile phone at 37.4% (N=74) and televised adverts at 10.0% (N=20) followed closely by the KCB staff at 9.1% (N=18) and then posters at 5.0% (N=10). The results of this item are summarized in Table 4.8

**Table 4.8 Source of information Against Medium used on KCB agency banking**

| Position | Frequency | Percentage (%) |
|---|---|---|
| Radio | 76 | 38.4 |
| Mobile Phone | 74 | 37.4 |
| Television | 20 | 10.1 |
| Posters/Brochures | 10 | 5.0 |
| KCB staff | 18 | 9.1 |
| **Total** | **198** | **100.0** |

From the results in Table 4.8, it is evident that a lot of awareness has been created to the customers about the KCB agency banking apart from the few customers who are not aware of the services due to various reasons one being either holding multiple bank accounts with skewed preference to others banks or others are not interested in following up or any updates on their banking statuses mainly using the Radio and Mobile phone at 38.4% (N=76) and 37.4% (N=74) responses respectively. These results are similar with other findings by Mukhebi et al, (2007) who asserts that Radio and television can be used by SMEs to improve market access as they are widely used in Kenya and have the advantage of reaching a larger audience. They can be used for product promotion, acquisition of market information disseminated by various actors and for interaction with potential customers. Through radio and TV media, SMEs have the opportunity to develop and use virtual markets to promote and sell their products through interactive programmes. Such will require the integration of several ICT tools like e-payments or M-payments and an information system to facilitate, transactions. The mobile phone is the most used ICT tool in that is rated most significantly in terms of desirability, accessibility and affordability. Mobile phones emerge as the preferred ICT tool to SMEs due to affordability, ease of use, and a reliable network. More than 95% of SMEs in Kenya own mobile phones with subscription reaching 30.7 million in April, 2013 and mobile penetration at 78%. (CCK, 2012)

According to world development report (1999), for leading countries in the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor determining the standard of living more than land, tools, and labor. Today's most technologically advanced economies are truly knowledge based.

### 4.4.3 Customer adoption rates against Customer Satisfaction with KCB agency banking in Bungoma County

The respondents were asked to respond to a follow up question item that sought to establish Customer adoption rates on KCB agency banking in Bungoma County and the findings are revealed in Table 4.9.

**Table 4.9 Customer adoption rates against Customer Satisfaction on KCB agency banking**

| Characteristics of Adoption | | Rating | F | % |
|---|---|---|---|---|
| **Relative advantage** | economical useful, satisfaction, Convenient | Great Extent | 99 | 50.0 |
| | | Some Extent | 59 | 29.8 |
| | | Little Extent | 40 | 20.2 |
| **Complexity** | Easy to use KCB Agency banking | Great Extent | 39 | 19.7 |
| | | Some Extent | 79 | 39.9 |
| | | Little Extent | 80 | 40.4 |
| **Compatibility** | Consistent Agency Banking | Great Extent | 35 | 17.7 |
| | | Some Extent | 95 | 48.0 |
| | | Little Extent | 68 | 34.3 |
| **Trialability** | Reduced uncertainty with Agency Banking | Great Extent | 25 | 12.6 |
| | | Some Extent | 72 | 36.4 |
| | | Little Extent | 101 | 51.0 |
| **Observability** | Agency Banking visible and communicate to others | Great extent | 79 | 39.9 |
| | | Some Extent | 96 | 48.5 |
| | | Little Extent | 23 | 11.6 |

Relative advantage has been measured in terms of economic benefits, social prestige, status, convenience, and satisfaction and from Table 4.9, half 50% (N=99) of the respondents asserted to great extent that KCB agency banking has numerous advantage to them. On the other hand, complexity relates to the degree to which an innovation is perceived as difficult to understand and use. Findings reveal that 80 (40.4%) of the respondents agreed to little extent that KCB Agency banking is easy to use and therefore perceived complexity has a negative effect on the adoption of KCB agency banking.

Compatibility indicates the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters. An idea that is incompatible with the values and norms of a social system will not be adopted as rapidly as an innovation that is compatible and from the results, 48.0% (N=95) of the respondents cited to some extent that KCB Agency banking services were consistent. Trialability signifies the degree to which the innovation may be experimented with on a limited basis. A possibility to try an innovation before adoption will reduce the uncertainty and increase the likelihood of the adoption. It is evident that 51.0% (N=101) of the customers indicated little extent that adoption of KCB agency banking has reduced uncertainty.

Observability is the degree to which the results of an innovation are visible and communicable to others. The easier it is for individuals to see and discuss the results of an innovation, the more likely they are to adopt it and 48.5% (N=96) of the respondents agreed to some extent. The overall diffusion and adoption of KCB Agency banking in Bungoma County is 47.6%. Relating the diffusion theory to agency banking, the agency banking is clearly an innovation that requires time to reach critical mass. With regard to communication channels, KCB bank has to do well to popularize the model with service names that resonate well with the target population. These findings concur with other findings by Rogers E.M. (1962) who postulated the Theory of Diffusion of Innovation (DOI), which is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. Rogers (2006) formulated the diffusion of innovations theory to explain the adoption rates of various types of innovations.

### 4.5 Service quality and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

To investigate whether service quality has an influence on satisfaction with the KCB agency banking services, the study employed a 5 point scale of strongly agree (SA), Agree (A), Neutral (N), Disagree (D) and strongly disagree (SD), the respondents were asked to state their opinion that best described their responses.

### 4.5.1 Influence of agents' Transaction methods & systems (TMS) operation time and customer satisfaction with KCB agency banking in Bungoma County

The respondents were asked to state their opinion concerning the influence of Agents' transaction methods and systems saves time and customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 18.2% (N=36) of the respondents strongly agreed that KCB agency banking agents operated within stipulated time and days, 40.9% (N=81) agreed, 1.0% (N=2) were neutral, 15.7% (N=31) disagreed while 24.2% (N=48) strongly disagreed with the statement. On whether the KCB agents use technology to safe customers time, 6.6% (N=13) of the respondents strongly agreed, 66.7% (N=35) agreed, 3.5% (N=7) were neutral, 65.6% (N=130) disagreed while 6.6% (N=13) strongly disagreed with the statement. Table 4.10 illustrates the results.

**Table 4.10 Influence of agents' Transaction methods & systems (TMS) operation time against customer satisfaction with KCB agency banking**

| Agents' operation time and customer satisfaction | SA | | A | | N | | D | | SD | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| Agents' transaction methods and systems saves time | 36 | 18.2 | 81 | 40.9 | 2 | 1.0 | 31 | 15.7 | 48 | 24.2 | 198 | 100 |
| KCB agents use technology to safe customers time | 13 | 6.6 | 35 | 17.7 | 7 | 3.5 | 130 | 65.6 | 13 | 6.6 | 195 | 100 |

From Table 4.10, it can be deduced that majority 40.9% (N=81) of respondents agreed that agents' transaction methods and systems operation time influenced customer satisfaction with KCB agency banking. They further disagreed that KCB agents use technology to safe customers' time by 65.6% (N=130) responses. This means that KCB bank has not effectively embraced the use of technology in agency banking and therefore the study findings does not correlate with earlier findings by (Fisher 1998; Hart 1996; Peppers and Rogers 1997, and cited in Bitner et al. 2000) who asserted that these days, technology can play a critical role in the ability of firms to customize its services to the customers. By having a complete customer database at hand for a firm's employees, the services that are offered by the firm can more easily be customized to customers' needs. In addition, technology enables the customized service being offered via SSTs. As a result, firms are better able to customize the services to the needs of the customers. This in turn saves the customers' waiting time since they are able to get the right products that can meet their needs from the start. They don't have to keep trying the products; this can be termed as getting it right the first time.

### 4.5.2 Influence of agency transaction costs and customer satisfaction with KCB agency banking in Bungoma County

The respondents were asked to state their opinion concerning the influence of agency transaction costs with their satisfaction with KCB agency banking in Bungoma County and the findings showed that 10.6% (N=21) of the respondents strongly agreed that KCB agency banking transaction charges are fair, 39.9% (N=78) agreed, 3.5% (N=7) were neutral, 34.3% (N=68) disagreed while 11.7% (N=24) strongly disagreed with the statement. Table 4.11 shows the study findings.

**Table 4.11 Influence of agency transaction costs against customer satisfaction with KCB agency banking**

| Transaction Costs | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 21 | 10.6 |
| Agree | 78 | 39.9 |
| Neutral | 7 | 3.5 |
| Disagree | 68 | 34.3 |
| Strongly Disagree | 24 | 11.7 |
| **Total** | **198** | **100.0** |

From Table 4.11, it can be deduced that majority 39.9% (N=78) of respondents agreed that agents' transaction costs influenced customer satisfaction with KCB agency banking.

### 4.5.3 Influence of system availability and use on customer satisfaction with KCB agency banking in Bungoma County

The respondents were asked to state their opinion concerning their satisfaction level on agency system availability and use with KCB agency banking in Bungoma County and the findings showed that 6.6% (N=13) of the respondents were Very Satisfied with KCB agency banking system availability and use, 29.8% (N=59) were Satisfied, 3.5% (N=7) were neutral, 50.0% (N=99) were Unsatisfied while 10.1% (N=20) were Very Unsatisfied. Table 4.12 shows the study findings.

**Table 4.12 Influence of system availability and use against customer satisfaction with KCB agency banking in Bungoma County**

| System availability and use | Frequency | Percentage (%) |
|---|---|---|
| Very Satisfied | 13 | 6.6 |
| Satisfied | 59 | 29.8 |
| Neutral | 7 | 3.5 |
| Unsatisfied | 99 | 50.0 |
| Very Unsatisfied | 20 | 10.1 |
| **Total** | **198** | **100.0** |

Agency banking success will largely depend on System availability hence reliability. One of the major measurements of reliability is the system availability. Findings from Table 4.12 shows that half, 50.0% (N=99) of the respondents were unsatisfied with availability and use of system by the KCB agents. These results are similar to those conducted by Zhao and Frank, (2003) who reported by its very nature the ICT phenomenon is relatively new in the developing world. Available data, suggest that the majority of developing countries such as Kenya in sub-Saharan Africa are lagging behind in the information revolution. The system being the only connectivity between the customer and the bank will determine whether a customer request is frustrated or satisfied at the agent location. System safety and malfunction can frustrate the agent reconciliation or even facilitate fraud against the bank, customer or the agent.

Despite the importance of ICT and emphasis by various governments to encourage SMEs to adopt ICT, it has been reported that SMEs have been slow in adopting ICT for various reasons. Houghton and Winklhofer, 2004) have reported a slow response of SMEs relating to adoption of ICT, Shiels et al. (2003) found that characteristics of the firm and industry sector are contributory factors to the adoption and exploitation of ICTs by SMEs, Kapurubandara et al. (2006) have categorized internal and external barriers that impede adoption of ICT by SMEs in a developing country. The internal barriers include owner manager characteristics, firm characteristics, cost and return on investment, and external barriers include: infrastructure, social, cultural, political, legal and regulatory.

## 4.6 Agent float and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

With float management the areas of interest were float adequacy, reliability of float, and complaint resolution by KCB agents. The responses are presented and discussed under various themes as shown below.

### 4.6.1 Adequacy of agent float against customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the influence of adequacy of agents' float on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 14.6% (N= 29) of the respondents strongly agreed that KCB agents had enough float at all times to serve customers, 13.6% (N=27) agreed, 0.0% (N=0) were neutral, 45.5% (N=90) disagreed while 26.3% (N=52) strongly disagreed with the statement. On whether transaction limits was depended on the availability of float, 71.7% (N=142) of the respondents strongly agreed, 15.2% (N=30) agreed, 1.5% (N=3) were neutral, 5.1% (N=10) disagreed while 6.5% (N=13) strongly disagreed. Table 4.13 shows the study findings.

**Table 4.13 Adequacy of agent float against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Adequacy of agent float | SA | | A | | N | | D | | SD | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| Enough float at all times | 29 | 14.6 | 27 | 13.6 | 0 | 0.0 | 90 | 45.5 | 52 | 26.3 | 198 | 100 |
| Transaction limits depend on availability of float | 142 | 71.7 | 30 | 15.2 | 3 | 1.5 | 10 | 5.1 | 13 | 6.5 | 195 | 100 |

One of the biggest challenges in rolling out banking agencies is the establishment and the effectiveness of the agent network. Agents are the touch-points where the subscribers of the service can get money into and out of the system. Agents are often also referred to as cash-in and cash-out points (Kumar & Mohanty, 2012). Findings from Table 4.13, 45.5% (N=90) of the respondents disagreed KCB agents had enough float at all times to serve customers. These findings concur with other study findings by Birch, (2008) who reports for in instance where a subscriber arrives at an agent with the need to withdraw a large amount it does happen that the agent do not have enough cash to satisfy the cash-out request. This leads to frustration and is one of the reasons why take-up of these systems is slower than what is expected. This problem is referred to as the agent liquidity problem-how to ensure that the agent has sufficient cash available to satisfy the need of the system.

There is every indication from the findings above, that there's a very big challenge when it comes to agency float and this directly impacts on customer satisfaction. 71.7% (N=142) of the respondents unanimously agreed that transaction limits depend on availability of float which has a bearing on customer satisfaction. Customers at some point do not get agency services due to lack of float which results to dissatisfaction an implication that agent's float has a great influence on customer satisfaction with KCB agency banking. The other form of liquidity management relates to physical cash. Customers who are seeking to make cash deposits into their mobile wallets or to withdraw cash from their accounts will go to retail agents. With cash-in transactions, customers deposit their money with retail agents while cash-out transactions result in customers seeking to withdraw funds via retail agents. Depending on the relative volumes of cash-in or cash-out transactions in any given day, the retail agent can become either cash-rich, with too much cash on hand, or cash-poor. In the latter case, the agent does not have enough cash to provide the customer with the full amount of their withdrawal request. Often customers must return the following day to obtain their money (Birch, 2008).

### 4.6.2 Reliability of agents' float and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the reliability of agents' float on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 11.1% (N=22) of the respondents strongly agreed that KCB agents float was reliable, 15.7% (N=31) agreed, 2.5% (N=7) were neutral, 43.4% (N=86) disagreed while 26.3% (N=52) strongly disagreed with the statement. Concerning the uniformity of deposits and withdrawals as the nature of transactions, 6.5% (N=13) of the respondents strongly agreed that there was uniformity of deposits and withdrawals of KCB agents float, 17.7% (N=35) agreed, 2.5% (N=5) were neutral, 14.6% (N=29) disagreed while 58.7% (N=116) strongly disagreed. Table 4.14 shows the study findings.

**Table 4.14 Reliability of agents' float against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Reliability of agents' float | SA | | A | | N | | D | | SD | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| Agents float are reliable | 22 | 11.1 | 31 | 15.7 | 7 | 3.5 | 86 | 43.4 | 52 | 26.3 | 198 | 100 |
| Uniformity of deposits and withdrawals | 13 | 6.5 | 35 | 17.7 | 5 | 2.5 | 29 | 14.6 | 116 | 58.7 | 195 | 100 |

Findings from Table 4.14 shows that, 43.4% (N=86) of the respondents disagreed on the reliability of agents float hence they were not motivated enough to transact with the KCB agents. It was also noted that the pattern of nature of transactions changed from one day to the other and from one location to the other. For example agents reported that there was more number of withdrawals on end months than during mid-month. Agents in town had their transactions dominated by third party deposits like bills, school fees and rent payments while upcountry agents had a lot to do with individual withdrawals and therefore the results shows that 58.7% (N=116) of the respondents cited that there was no uniformity of deposits and withdrawals.

Too much cash at hand and no cash at bank and vice versa would not be optimal for both deposits and withdrawal transaction as either of the service will not be possible at the agent. The operation of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent and crediting the customer's account at the bank. It is therefore not possible for an agent to receive a deposit unless the agent has sufficient credit in the bank. A customer withdrawal at the agent means the agent gives cash to the customer and the bank accounts by debiting the customer and crediting the agent's account at the bank. An agent then can only pay out a withdrawal if they have cash in their till at the shop. This means the agent has to have both cash in the bank and cash in tills. This is a key challenge to banks as most agents are not able to balance the cash holding or have inadequate capital. For some reason banks have not been able to convince some businesses like large retail chains which could be ideal for agency banking. Some of the reasons given are the inability of the banks to provide reconciliation mechanism which has led to the chains loosing cash. The situation of float is even worse for remote agents who have to travel to the banks to replenish their deposits when balances run low.

### 4.6.3 Agents' complaint resolution and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the influence of Agents' complaint resolution on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 20.2% (N=40) of the respondents strongly agreed that KCB agents handle customers complaint professionally, 51.0% (N=101) agreed, 4.0% (N=82) were neutral, 19.7% (N=39) disagreed while 5.1% (N=10) strongly disagreed with the statement. Table 4.15 shows the study findings.

**Table 4.15 Agents' complaint resolution against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Agents' complaint resolution | SA | | A | | N | | D | | SD | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| KCB Agents handle customers complaints professionally | 40 | 20.2 | 101 | 51.0 | 8 | 4.0 | 39 | 19.7 | 10 | 5.1 | 198 | 100 |

Majority of the respondents asserted that KCB Agents handle customers Complaint resolution professionally by 51.0% (N=101) responses. Banks and their agents have to contend with customers complaints in cases such as, customer being debited with cash he did not receive because of incomplete withdrawal transactions; an urgent deposit hangs somewhere else other than the beneficiary account due to system failure, where the agent has erroneously entered the wrong account number or bill account. This could mean a stranded commuter for lack of fare, a son or daughter somewhere being sent home for non-remitted school fees, a punitive disconnected utility supply. How such complaints or errors are handled could mean retention or loss of the customer for good. Bindra, (2007) argues that a satisfied customer will tell one other customer about the experience but a dis-satisfied customer will tell a crowd.

## 4.7 Agency banking accessibility and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The study assessed whether the distance covered to access bank services and the associated time and cost of transport and hours of working are real incentives to alter the customer decision whether to visit the bank or the agent.

### 4.7.1 Agency banking accessibility costs and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the Agency banking accessibility costs were motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 10.6% (N=21) of the respondents strongly agreed that KCB Agency banking accessibility costs were motivational to customers, 49.5% (N=98) agreed, 3.5% (N=7) were neutral, 24.7% (N=48) disagreed while 11.7% (N=24) strongly disagreed with the statement. Table 4.16 shows the study findings.

**Table 4.16 Agency banking accessibility costs against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Agent's location costs | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 21 | 10.6 |
| Agree | 98 | 49.5 |
| Neutral | 7 | 3.5 |
| Disagree | 48 | 24.7 |
| Strongly Disagree | 24 | 11.7 |
| **Total** | **198** | **100.0** |

From Table 4.16, 49.5% (N=98) of the respondents agreed that KCB Agency banking accessibility costs were motivational since the agents outlets were closer or at market centers where most of the customers could just take a walk ride and this improved their satisfaction level with the KCB agency banking in Bungoma County.

### 4.7.2 Agency banking proximity and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the Agency banking proximity was a motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 28.3% (N=56) of the respondents strongly agreed that KCB agents outlets are easily accessible, 54.5% (N=108) agreed, 0.0% (N=0) were neutral, 12.1% (N=24) disagreed while 5.1% (N=10) strongly disagreed with the statement. Concerning preference of agents' outlet to KCB bank branch, 28.3% (N=56 ) of the respondents strongly agreed that they preferred doing transactions with KCB agents to bank branch, 60 (30.3%) equally agreed and disagreed, 1.5% (N=3) were neutral, while 9.6% (N=19) strongly disagreed. Table 4.17 illustrates the study findings.

**Table 4.17 Agency banking proximity against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Agency banking proximity | SA | | A | | N | | D | | SD | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| KCB Agency outlets are easily accessible | 56 | 28.3 | 108 | 54.5 | 0 | 0.0 | 24 | 12.1 | 10 | 5.1 | 198 | 100 |
| I prefer KCB Agents than the Bank | 56 | 28.3 | 60 | 30.3 | 3 | 1.5 | 60 | 30.3 | 19 | 9.6 | 198 | 100 |

Majority of the respondents, 54.5% (N=108) cited that the agents' outlets were accessible apart from a few who perhaps reside in the interior of places far from shopping or market centers. Response on how far the nearest branch of the bank the respondents were serving indicated that agents cluster near the branch and further away from the branch, while customers appeared to originate within proximity of the agent. An equal proportion of the respondents agreed and disagreed at 30.3% (N=60) responses that they preferred doing transactions with KCB Agents than the Bank branch. This results imply that the distance between the agents outlets and bank branch to customers has a little or insignificant on satisfaction of the customers. This could also be attributed to the fact that Deposits attract lower charges than withdrawals and thus customers preferred to make withdrawals at the branch or ATMs where withdrawals charges are relatively lower than at the agent depending on the withdrawal amount. Banks do not charge customers for deposits both at the bank and at the agent but pay a lower commission to agents on deposits received. Relationship test was done comparing the distance of the nearest bank branch and the proximity of customers to the agency. In cases where the distance between the bank and the agent was the same for the customer, the customer chose to go to the bank or other nearer agent. No customer went to the agent if the bank was nearer than the agent, indicating that customers still preferred to be served at the bank but there is a pull towards the agent if the cost savings are significant in relation to the nature and value of the transaction. Customer being a rational being will tend to make options that best maximize their value be it in cost or time savings. Thus agents' accessibility has a little bearing on customer satisfaction with KCB agency banking. These findings are in agreement with other findings by Kithuka, (2010) who asserts that distance does not influence the frequency of customer transactions. This cannot be interpreted to mean proximity has zero effect on agency adoption. Customers will not knowingly incur more in terms of time and financial cost to do a bank transaction at the bank unless it is not available at the agent (CBK Governor, (2011) at the launch of agency banking). Though most people are not aware of these costs, to some extent they do influence the customer decision to use agency banking or not to use the agency banking system hence influences the performance and growth of agency banking'(Ombutura & Mugambi, 2013). Proximity means the customers will assess whether the distance covered to access bank services and the associated time and cost of transport are real incentives to alter the customer decision whether to visit the bank or the agent.

### 4.7.3 Agency Hours of banking and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The respondents were asked to state their opinion concerning the Agency Hours of banking was a motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 70.7% (N=140) of the respondents strongly agreed that KCB Agency banking hours were adequate for the customers,12.6% (N=25) agreed, 0.0% (N=0) were neutral,10.6% (N=21) disagreed while 6.1% (N=12 ) strongly disagreed with the statement. Table 4.18 shows the study findings.

**Table 4.18 Agency Hours of banking against customer satisfaction with Kenya Commercial Bank Agency Banking**

| Adequate Agency Hours of banking | Frequency | Percentage (%) |
|---|---|---|
| Strongly Agree | 140 | 70.7 |
| Agree | 25 | 12.6 |
| Neutral | 0 | 0.0 |
| Disagree | 21 | 10.6 |
| Strongly Disagree | 12 | 6.1 |
| **Total** | **198** | **100.0** |

Competition for customers has pushed banks to extend their opening hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays. Findings from Table 4.18 reveals that70.7% (N=140) of the respondents strongly agreed that KCB Agency banking hours were adequate for the customers. These findings concur with other empirical studies by Property Kenya, (2010) that some banks have also taken advantage of the introduction of the agency banking model to have their operations in outlets such as supermarkets that open for 24-hours or up to late in the night. While this is happening targeted the high net worth, the low income earners have moved with the trend as they facilitate and service such lifestyle change Standard Chartered, ABC, Diamond Trust, NIC and Barclays Bank of Kenya have recently announced an extension of their opening hours to between 7a.m and 8p.m, from what has been the traditional banking hours of between 9a.m and 3p.m. Diamond Trust Bank has extended its operating hours for five outlets in Kenya and six in Uganda, which now operate for seven days a week between 8a.m to 8p.m."We had to introduce new staff shifts, increased security and investment in technology," said Naomi Mangatu, senior manager for marketing and corporate communications at the bank. Ms. Mangatu said DTB is planning on opening a sixth extended hour‘s branch in Nairobi. ABC Bank Group

Managing Director Shamaz Savani attributed the extension of banking hours to increased economic activities, traffic jams that have cut peoples' spare time and change of Kenyan's lifestyles. Mr. Savani said the bank's long-hour branches are targeted at late night shoppers in high income residential areas. "We looked at the foot traffic, area security and location while selecting the branches. For the Eldoret branch we considered the presence of Nakumatt, which is located opposite our branch and operates for 24 hours." said Mr. Savani. Standard Chartered Bank said the extension is meant to accommodate customers' busy schedules. Executive director of the Kenya Bankers Association John Wanyela said the increased banking hours point to a shift towards a 24-hour economy, adding that it will help retailers such as supermarkets that wish to operate for long hours.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This chapter covers summary of the findings, discussion of results and conclusions drawn from the study as well as recommendations based on the study findings and suggestions for further studies.

## 5.2 Summary of the findings

This section provides a summary of the finding based on the objectives of the study as they are presented in the previous chapter.

### 5.2.1 Customer level of education and awareness and customer satisfaction with KCB Agency Banking in Bungoma County

The study sought to determine how Customer education and awareness influence customer satisfaction with KCB Agency Banking in Bungoma County under the following themes; Customer education, Source of information and customer adoption rate. On a scale of Great extent (GE), some extent (SE), little extent (LE) and virtually nothing (VN), the respondents were asked to state the extent to which customers are aware of the existence of KCB agency banking in Bungoma County and the findings showed that 12.6% of the respondents asserted to great extent the customers were aware of the existence of KCB agency banking, 50.0% to some extent, 35.4% to little extent while 2.0% of the respondents said virtually nothing to the statement. Concerning the existence of agency banking has been of great convenience, 57.6% of the respondents indicated to great extent, 41.4% to some extent, and 1.0% to little extent while 0.0% said virtually nothing to the statement.

The respondents were again asked to respond to a follow up question item that sought to establish the source of information for those who indicated to have heard about the KCB agency banking. It was revealed that the radio was the leading medium in creating awareness concerning KCB agency banking services at 38.4% followed by mobile phone at 37.4% and televised adverts at 10.1% followed closely by the KCB staff at 9.1% and then posters at 5.0% responses.

### 5.2.2 Service quality and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

To investigate whether service quality has an influence on satisfaction with the KCB agency banking services, the study employed a 5 point scale of strongly agree (SA), Agree (A), Neutral (N), Disagree (D) and strongly disagree (SD), the respondents were asked to state their opinion that best described their responses. The respondents were asked to state their opinion concerning the influence of Agents' transaction methods and systems saves time and customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 18.2% of the respondents strongly agreed that KCB agency banking agents operated within stipulated time and days, 40.9% agreed, 1.0% were neutral, 15.7% disagreed while 24.2% strongly disagreed with the statement. On whether the KCB agents use technology to safe customers time, 6.6% of the respondents strongly agreed, 66.7% agreed, 3.5% were neutral, 65.6% disagreed while 6.6% strongly disagreed with the statement.

The respondents were asked to state their opinion concerning the influence of agency transaction costs with their satisfaction with KCB agency banking in Bungoma County and the findings showed that 10.6% of the respondents strongly agreed that KCB agency banking transaction charges are fair, 39.9% agreed, 3.5% were neutral, 34.3% disagreed while 11.7% strongly disagreed with the statement.

The respondents were asked to state their opinion concerning their satisfaction level on agency system availability and use with KCB agency banking in Bungoma County and the findings showed that 6.6% of the respondents were Very Satisfied with KCB agency banking system availability and use, 29.8% were Satisfied, 3.5% were neutral, 50.0% were Unsatisfied while 10.1% were Very Unsatisfied.

### 5.2.3 Agent float and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

With float management the areas of interest were float adequacy, reliability of float, and complaint resolution by KCB agents. The respondents were asked to state their opinion concerning the influence of adequacy of agents' float on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 14.6% of the respondents strongly agreed that KCB agents had enough float at all times to serve customers, 13.6% agreed, 0.0% were neutral, 45.5% disagreed while 26.3% strongly disagreed with the statement. On whether transaction limits was depended on the availability of float, 71.7% of the respondents strongly agreed, 15.2% agreed, 1.5% were neutral, 5.1% disagreed while 6.5% strongly disagreed.

The respondents were asked to state their opinion concerning the reliability of agents' float on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 11.1% of the respondents strongly agreed that KCB agents float was reliable, 15.7% agreed, 2.5% were neutral, 43.4% disagreed while 26.3% strongly disagreed with the statement. Concerning the uniformity of deposits and withdrawals as the nature of transactions, 6.5% of the respondents strongly agreed that there was uniformity of deposits and withdrawals of KCB agents float, 17.7% agreed, 2.5% were neutral, 14.6% disagreed while 58.7% strongly disagreed.

The respondents were asked to state their opinion concerning the influence of Agents' complaint resolution on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 20.2% of the respondents strongly agreed that KCB agents handle customers complaint professionally, 51.0% agreed, 4.0% were neutral, 19.7% disagreed while 5.1% strongly disagreed with the statement.

### 5.2.4 Agency banking accessibility and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County

The study assessed whether the distance covered to access bank services and the associated time and cost of transport and hours of working are real incentives to alter the customer decision whether to visit the bank or the agent. Therefore the respondents were asked to state their opinion concerning the Agency banking accessibility costs were motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 10.6% of the respondents strongly agreed that KCB Agency banking accessibility costs were motivational to customers, 49.5% agreed, 3.5% were neutral, 24.7% disagreed while 11.7% strongly disagreed with the statement.

The respondents were asked to state their opinion concerning the Agency banking proximity was a motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 28.3% of the respondents strongly agreed that KCB agents outlets are easily accessible, 54.5% agreed, 0.0% were neutral, 12.1% disagreed while 5.1% strongly disagreed with the statement. Concerning preference of agents' outlet to KCB bank branch, 28.3% of the respondents strongly agreed that they preferred doing transactions with KCB agents to bank branch, 30.3% equally agreed and disagreed, 1.5% were neutral, while 9.6% strongly disagreed.

Concerning the Agency Hours of banking was a motivation on customer satisfaction with KCB agency banking in Bungoma County and the findings showed that 70.7% of the respondents strongly agreed that KCB Agency banking hours were adequate for the customers, 12.6% agreed, 0.0% were neutral, 10.6% disagreed while 6.1% strongly disagreed with the statement.

## 5.3 Conclusions of the Study

From the study on factors influencing customer satisfaction with Kenya Commercial Bank agency banking in Bungoma County, the conclusions are made:

On objective of Customer level of education and awareness and customer satisfaction with KCB Agency Banking in Bungoma County; half, (50.0%) respondents indicated to some extent that customers were aware of the existence of KCB agency banking. It is essential that, when a new service such as Internet banking is launched, customers know how to use the service. The existence of agency banking has been of great convenience and majority of the respondents asserted to great extent by (57.6%) responses. If customers are not properly prepared for the use of a new service, they will not know how to use it, which leads to disappointment. This in turn will result in less satisfaction and ultimately less loyalty of the customers towards the company. The ability of a customer to perform such a task is highly influenced by customer education. This results shows that the KCB bank customers are aware of the existence of agency banking in Kenya.

KCB agency banking apart from the few customers who are not aware of the services due to various reasons one being either holding multiple bank accounts with skewed preference to others banks or others are not interested in following up or any updates on their banking statuses mainly using the Radio and Mobile phone at 38.4% and 37.4% responses respectively. These results are similar with other findings by Mukhebi et al, (2007) who asserts that Radio and television can be used by SMEs to improve market access as they are widely used in Kenya and have the advantage of reaching a larger audience. They can be used for product promotion, acquisition of market information disseminated by various actors and for interaction with potential customers. Mobile phones emerge as the preferred ICT tool to SMEs due to affordability, ease of use, and a reliable network.

Relative advantage has been measured in terms of economic benefits, social prestige, status, convenience, and satisfaction and 50.0% of the respondents asserted to great extent that KCB agency banking has numerous advantages to them. On the other hand, complexity relates to the degree to which an innovation is perceived as difficult to understand and use and Findings reveal that 40.4% of the respondents agreed to little extent that KCB Agency banking is easy to use and therefore perceived complexity has a negative effect on the adoption of KCB agency banking.

Compatibility indicates the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters. An idea that is incompatible with the values and norms of a social system will not be adopted as rapidly as an innovation that is compatible and from the results, 48.0% of the respondents cited to some extent that KCB Agency banking services were consistent. Trialability signifies the degree to which the innovation may be experimented with on a limited basis. A possibility to try an innovation before adoption will reduce the uncertainty and increase the likelihood of the adoption. It is evident that 51.0% of the customers indicated too little extent that adoption of KCB agency banking has reduced uncertainty.

Observability is the degree to which the results of an innovation are visible and communicable to others. The easier it is for individuals to see and discuss the results of an innovation, the more likely they are to adopt it and 48.5% of the respondents agreed to some extent. The overall diffusion and adoption of KCB Agency banking in Bungoma County is 47.6%. Relating the diffusion theory to agency banking, the agency banking is clearly an innovation that requires time to reach critical mass. With regard to communication channels, KCB bank has to do well to popularize the model with service names that resonate well with the target population.

Concerning the objective of Service quality and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County; 40.9% of respondents agreed that agents' transaction methods and systems operation time influenced customer satisfaction with KCB agency banking. They further disagreed that KCB agents use technology to safe customers' time by 65.6% responses. This means that KCB bank has not effectively embraced the use of technology in agency banking.

One of the major measurements of reliability is the system availability and 50.0% of the respondents were unsatisfied with availability and use of system by the KCB agents. One of the biggest challenges in rolling out banking agencies is the establishment and the effectiveness of the agent network. Agents are the touch-points where the subscribers of the service can get money into and out of the system and 45.5% of the respondents disagreed that KCB agents had enough float at all times to serve customers. This leads to frustration and is one of the reasons why take-up of these systems is slower than what is expected. This problem is referred to as the agent liquidity problem-how to ensure that the agent has sufficient cash available to satisfy the need of the system.

On objective of Agent float and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County; there is every indication from the findings above, that there's a very big challenge when it comes to agency float and this directly impacts on customer satisfaction and 71.7% of the respondents unanimously agreed that transaction limits depend on availability of float which has a bearing on customer satisfaction. Customers at some point do not get agency services due to lack of float which results to dissatisfaction an implication that agent's float has a great influence on customer satisfaction with KCB agency banking.

43.4% of the respondents disagreed on the reliability of agents float hence they were not motivated enough to transact with the KCB agents. It was also noted that the pattern of nature of transactions changed from one day to the other and from one location to the other. For example agents reported that there was more number of withdrawals on end months than during mid-month. Agents in town had their transactions dominated by third party deposits like bills, school fees and rent payments while upcountry agents had a lot to do with individual withdrawals and therefore the results shows that 58.7% of the respondents cited that there was no uniformity of deposits and withdrawals.

Majority of the respondents asserted that KCB Agents handle customers Complaint resolution professionally by 51.0% responses. Banks and their agents have to contend with customers complaints in cases such as, customer being debited with cash he did not receive because of incomplete withdrawal transactions; an urgent deposit hangs somewhere else other than the beneficiary account due to system failure, where the agent has erroneously entered the wrong account number or bill account. A satisfied customer will tell one other customer about the experience but a dis-satisfied customer will tell a crowd.

With objective of Agency banking accessibility and customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County; the respondents agreed that KCB Agency banking accessibility costs were motivational since the agents outlets were closer or at market centers where most of the customers could just take a walk ride and this improved their satisfaction level with the KCB agency banking in Bungoma County.

Majority of the respondents, 54.5% cited that the agents' outlets were accessible apart from a few who perhaps reside in the interior of places far from shopping or market centers. Response on how far the nearest branch of the bank the respondents were serving indicated that agents cluster near the branch and further away from the branch, while customers appeared to originate within proximity of the agent. An equal proportion of the respondents agreed and disagreed at 60 (30.3%) responses that they preferred doing transactions with KCB Agents than the Bank branch. This results imply that the distance between the agents outlets and bank branch to customers has a little or insignificant on satisfaction of the customers. This could also be attributed to the fact that Deposits attract lower charges than withdrawals and thus customers preferred to make withdrawals at the branch or ATMs where withdrawals charges are relatively lower than at the agent depending on the withdrawal amount. Banks do not charge customers for deposits both at the bank and at the agent but pay a lower commission to agents on deposits received. Proximity means the customers will assess whether the distance covered to access bank services and the associated time and cost of transport are real incentives to alter the customer decision whether to visit the bank or the agent.

Competition for customers has pushed banks to extend their opening hours to late evening, with an increasing number of lenders now serving customers over weekends and public holidays and 70.7% of the respondents strongly agreed that KCB Agency banking hours were adequate for the customers.

### 5.4 Recommendations

1. The impact of marketing is yet to be realized in advancing the adoption, acceptance and popularity of the KCB agency banking. Increased marketing will significantly improve the awareness and education level on the entire process of diffusion and adoption of the agency banking.
2. Service quality has a significant bearing on customer satisfaction with Kenya Commercial Bank Agency Banking in Bungoma County; and therefore the KCB bank should effectively embrace the use of Information and Communication Technology in agency banking despite being low.
3. The study also recommends that commercial banks in Kenya should ensure that their banks agents have enough float and cash to serve their customers. To manage liquidity effectively, retail agents must balance several variables,

including turnover of cash, ease of access to the retail agent's bank account, and processing time of transactions, among others.

4. Although agency proximity has a little bearing on customer decision to use agency banking any time they want to bank, it is therefore recommended that the commercial banks should improve on the agency proximity at any point in time.

## 5.5 Suggested areas for further study

1) The impact of marketing on the rate of opening agency banking in the rural area
2) Evaluation of applicable strategies meant to engage the unbanked rural population.
3) Customer's perception towards the potential risks associated with technology-based banking.
4) Assessment of the personal factors influencing the rate of adoption of agency banking

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**APPENDIX 1: Letter of introduction**

Lynette Malisha,
University of Nairobi,
Department of extra mural Centre,
P.O Box 30197,
Nairobi.

Dear sir /madam,

**Re: Research on factors influencing Customer Satisfaction with KCB agency banking in Bungoma County.**

I am a postgraduate student at the University of Nairobi, Pursuing a Master Degree in project planning and Management. I am undertaking the above mentioned research project. I would be very grateful if you could answer the questions in the questionnaire as honestly as possible.

The findings of the study will be availed to you upon request on completion of this research.

Thank you for your co-operation.

Yours faithfully,

Lynette Malisha

**APPENDIX 2: QUESTIONNAIRE FOR CUSTOMERS**

**INSTRUCTIONS**

This questionnaire seeks your opinion on the services offered at the KCB agencies. Fill in all the questions as directed. All information will be treated with confidentiality thus honest responses will be highly appreciated.

**SECTION A: DEMOGRAPHIC CHARACTERISTICS AND GENERAL INFORMATION ON CUSTOMER**

**Instruction: Please tick appropriate box**

1. Indicate your gender
   a) Male ☐
   b) Female ☐

2. What is your occupation?
   Civil servant ☐
   Private sector ☐
   Employed ☐
   Traders/business ☐
   Artisan ☐
   Others ☐

3. What is your age bracket?
   18-24 ☐
   25-35 ☐
   35-44 ☐
   45 and above ☐

4. For how long have you been using KCB agency services
   Less than1 Month ☐
   1-6 Months ☐
   6months – 1Year ☐
   More than 1 Year ☐

5. What is your level of education?
   - Primary ☐
   - Secondary ☐
   - Tertiary ☐

## SECTION B: CUSTOMER EDUCATION

**Instruction: Please tick appropriate box**

6. Have you heard of KCB Agency Banking?
   - Yes ☐
   - No ☐
   - Not Sure ☐

7. Please indicate how the level of extent in the following aspects concerning your uptake of the KCB agency banking services.
   **5= Greatest extent, 4=Great extent, 3= Moderate, 2= Some extent, 3= Low extent**

| Aspect | Please tick (√) appropriately | | | | |
|---|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 |
| Does the presence of agency banking make you prefer the commercial bank you are banking with? | | | | | |
| Is there an agency banking in you proximity at any point in time | | | | | |
| The existence of agency banking has been of great convenience | | | | | |
| Agency banking is the first method that comes to mind when I want to transact at the bank. | | | | | |

8. From which source did you get information on KCB Agency Banking?
   - Radio ☐
   - Television ☐
   - Posters ☐
   - KCB Staff ☐

9. Please indicate how the following aspects influence your uptake of the KCB agency banking services.
   **3= Very much, 2=Somehow, 1= Not at all**

| **Aspect** | **Please tick (√) appropriately** | | |
|---|---|---|---|
| | **3** | **2** | **1** |
| Awareness on the KCB agency banking services | | | |
| Easiness to use the service | | | |
| Frequent advertisements by the bank branch | | | |
| The number of products offered by the service | | | |
| Instructional manual help to clarify doubts | | | |

**SECTION C: SERVICE QUALITY (Please tick appropriate box)**

10. Rate the following statements in relation to the quality of services offered by the KCB agents

**1 – Strongly Disagree, 2 – Disagree, 3-Agree and 4 – Strongly Agree.**

| **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|
| KCB Agency outlets are easily accessible | | | | |
| KCB Agents are accurate in handling transactions | | | | |
| KCB Agency outlets are safe to transact at all times | | | | |
| KCB Agents carry out their services professionally | | | | |
| KCB Agents operate within stipulated time and days displayed | | | | |
| KCB Agency Banking costs are affordable | | | | |
| I would recommend KCB agency services to a friend/family member/another person | | | | |

**SECTION D: AGENT FLOAT (Please tick appropriate box)**

11. Rate the statements in the table below in relation to the agents float availability

**1 – Strongly Disagree, 2 – Disagree, 3-Agree and 4 – Strongly Agree.**

| **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|
| KCB agents have enough float at all times to serve customers | | | | |
| KCB Agents provide timely and courteous service | | | | |
| KCB agents issue receipts for all transactions | | | | |
| There are always transaction limits at the KCB agents | | | | |
| I trust KCB agents with all my transactions | | | | |
| I would recommend the KCB agency services to another person | | | | |

**SECTION E:AGENCY BANKING ACCESSIBILITY (Please tick appropriate box)**

12. Rate the statements in the table below in relation to the accessibility of the KCB agents.

**1 – Strongly Disagree, 2 – Disagree, 3-Agree and 4 – Strongly Agree.**

| **Statement** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|
| KCB Agency outlets are easily accessible | | | | |
| KCB Agency Banking costs are affordable | | | | |
| Agent's location have enough space and privacy for the customers | | | | |
| There are always transaction limits at the KCB agents | | | | |
| I trust KCB agents with all my transactions | | | | |
| I would recommend the KCB agency services to another person | | | | |

**Thank you for spending your time to answer the questionnaire and for your input to this study.**

**APPENDIX 3: Agent's Interview schedule – KCB Bungoma County**

1. Please list your all your ALL the businesses you operate apart from being a KCB bank agent.

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
2. Describe your hours of operation

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
3. How would you describe the relationship between customer education/awareness of agency banking and customer satisfaction?

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
4. Does service quality influence customer satisfaction? What is your description of quality service in relation to agency banking.

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
5. Do the agency float limits adequately serve the customers? What challenges do you experience in relation to float management?

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
6. Please describe some of the challenges you have encountered in your provision of KCB agency banking services to the customers.

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………

7. What is your general view on the accessibility of KCB agency banking to the customers.

   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ………………………

**<u>Thank you</u>**