FACTORS INFLUENCING THE USE OF AGENCY BANKING BY THE RESIDENTS OF KITUI COUNTY, KENYA

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DECLARATION

This project report is my original work and has not been presented for a degree or diploma in any other University or institution of higher learning.

Signature…………………………………….. Date…………………….

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

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DEDICATION

This work is dedicated to all my family members especially my son Gift Lomosi, friends and colleagues at work for their inspirational support, encouragement and understanding during my studies.

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LIST OF ABBREVIATIONS AND ACRONYMS

AMFI	-	Association of Microfinance Institutions
ATM	-	Automated Teller Machine
B	-	Billion
CBK	-	Central Bank of Kenya.
DTM	-	Deposit Taking Microfinance
KBA	-	Kenya Bankers Association
KSHS	-	Kenya shillings
M	-	Million
POS	-	Point of Sale
SACCO	-	Savings and Credit Co-operative Society
SME	-	Small and Micro Enterprises

ABSTRACT

Agency banking has become one of the essential services in the banking sector in bringing their services closer to the people at the grass - root or in remote areas. This study focused on the factors influencing the use of agency banking by the residents of Kitui County, Kenya. The researcher was guided by the following objectives:- To determine the influence of the agent characteristics on use of Agency banking, to determine the influence of the banking products offered by agency banking on the use of agency banking , to assess the extent to which opening hours influence the use of agency banking, and to establish the influence of location of banks on the use of agency banking by Residents of Kitui County, Kenya. The study used descriptive survey design and the target population were all the bank agents in Kitui County. The respondents were selected using simple random sampling. Data was collected using questionnaires and interview schedules. Data analysis was done quantitatively using inferential statistics mean, mode, median and percentages with the help of statistical package for social scientists (SPSS) and then presented in tables. Qualitative data was analyzed thematically according to the study objectives. The findings of the study were that; there was a strong positive correlation between agency characteristics and Agency banking use ($r = 0.80$, $p = 0.04$) meaning there is a significant relationship between the agency bank characteristics and the use of agency banking ($p<0.05$), there is a strong positive correlation between banking products and Agency banking ($r = 0.78$, $p = 0.02$) implying there is a significant relationship between the agency banking products and the use of agency banking ($p<0.05$), there is a strong positive correlation between banking products and Agency banking use ($r = 0.78$, $p = 0.02$) implying there is a significant relationship between the agency bank products and the use of agency banking ($p<0.05$) and that there is a strong positive correlation between long opening hours and Agency banking use ($r = 0.86$, $p = 0.03$) and that there is a significant relationship between the agency bank opening hours and the use of agency banking ($p<0.005$). This means that the opening hours influenced the use of agency banking. The multiple regression analysis results showed that the banking products had the highest contribution of change in the dependent variable ($\beta=1.777$). This means one unit change in banking products would increase the agency banking use by 1.777 units. The recommendations from the study were that; Banks should do more advertising to sensitize the public on the availability and the services offered by their agents, the Banks should diversify the products they offer to their customers at the agencies to include the credit facilities, Agents should have more money so that those who want to withdraw more would not be forced to go to physical bank branches, and there should be a guideline for the opening and closing time for the agency banking so as to enhance service delivery and uniformity among similar banking agents.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses (Macesich, 2000). Due to their influence within a financial system and the economy, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords (Bolt, 2012).

Information and communication technologies (ICT) fuel the greatest wave of technical innovation currently spreading across the globe, affecting new areas of social and economic activity including the banking sector. Unsurprisingly, financial businesses everywhere have been in the throes of organizational changes and innovation based on new possibilities opened up by ICT (Nganga, 2013). Financial security through saving is a key component in any development endeavor as it is believed to be the surest way of increasing income and boosting productivity in an attempt to break through the vicious cycle of poverty. High incomes lead to alleviation of poverty in households, ultimately resulting into improved quality of life of people in rural communities. High levels of gross national savings reduce a country’s reliance on and exposure to the unpredictable global capital market (FSD, 2009).

Globally, banking service providers saw an opportunity in the unbanked rural population and went on to exploit this opportunity by creating agencies down to the village level. This gave the banking sector a chance to create new possibilities, the chance to offer the market a fresher, more affordable pie (Venter & Rwigema, 2004). In agency banking, the transformation process was the services offered by the agents of financial management to the SMEs through deposits, withdrawals and advancing loans the output is the SMEs growth or lack of it thereof.

Improving access to financial services can contribute to transforming peoples' lives in developing countries. However, the majority of the ordinary people in these countries still have limited access to these services. Today, an estimated 2.7 billion people in developing countries have no access to financial services. Over a billion people in Africa, Latin America and Asia are currently without bank accounts but do have a mobile phone. This number was set to reach 1.7 billion by 2012 (Efam, 2008)

Under agency banking guidelines published by the CBK in 2010, financial institutions are allowed, under strict conditions to operate agencies through third parties. This approach has been used in Brazil with great success, where shopkeepers operate bank accounts for millions of customers. Equity bank's market position and its desire to serve progressively more rural locations made agency banking particularly attractive. Whilst Equity has a wide range of delivery channels, not everyone wants to conduct their banking transactions electronically, and these channels, due to cost, cannot be made available everywhere. The initial rollout of agencies began in December 2010. By December 2011, the rollout of agency banking had been successful and the number of agents grew from 875 at the beginning of the year to 3,339 by the end of the year. Agents accounted for 20% of all cash transactions of the bank (CBK, 2013)

The challenge for Equity Bank now is to develop the supporting infrastructure that it will require to manage its 20,000 envisaged agencies. As reported in the East African newspaper "agents will be trained and provided with the necessary technology to handle all banking transactions — withdrawals, deposits, loans, account opening and advances, among other things". (Nation Newspaper, 20th December, 2010)

Many of the initial agents will also be used to support the rollout of Equity's M-Kesho mobile banking product, though Equity Bank plans to expand significantly beyond this. According to the Managing Director Dr. James Mwangi, the development "will also increase extent of use of the mobile money transfer business, because it allows withdrawals and deposits from MPesa, M-Kesho, Iko-Pesa and Yu-cash, the cell phone bank accounts networked with Equity Bank".(CBK, 2013)

In Africa, the majority of the populations have no access to banking services, with only 20% of African families having bank Accounts (Efam, 2008). For instance, in 2007, only about 30% of household in Kenya had bank accounts; and in Benin, with a population of 7 million had only 35 bank branches in 2006 (Ndungu, 2009). The limited access to financial services in Africa stems particularly from deficient infrastructure, physical-geographical isolation or inaccessibility, financial illiteracy, all of which culminate into exceedingly high cost of providing banking services.

Kenya is a developing country with a total population of 43 million people (Alliance for Financial Inclusion**,** 2010). Kenya has slightly lower than average income inequality of the countries studied, measured by the Gini Coefficient at 47.7. South Africa's Gini coefficient is 57.8, Brazil's is 55.0, Peru's is 49.6, Mexico's is 48.1, and India's is 36.8 (UNDP, 2009).

Kenya has a relatively well developed financial sector which comprises 43 commercial banks, 1 mortgage finance company, 7 Deposit Taking Microfinance companies (DTMs), some 3,500 active Savings and Credit Cooperatives (SACCOs), one postal savings bank - Kenya Post Office Savings Bank (KPOSB) 125 foreign exchange bureaus, a host of unlicensed lenders, and an Association of Microfinance Institutions (AMFI) with 56 members. Despite the abundance of financial institutions, the financial sector in Kenya is highly concentrated. Four financial institutions, Equity Bank, Co-operative Bank, Kenya Post Office Savings Bank and Kenya Commercial Bank account for two thirds of all bank accounts which numbered 14 million by mid-2012**.** In the traditional microfinance sector, more than 70% of the market is made up of Kenya Women Finance Trust, Faulu Kenya and Jamii Bora DTMs. In addition, similar high levels of concentration are seen with SACCOs (Ndungu, 2009).

In spite of the global recession and credit crisis, the financial sector in Kenya continues to enjoy healthy levels of growth. Assets and profits continued to grow in the five years from 2006 to 2010. Facilitating financial access is a major drive behind the strengthening of the financial sector. Kenya, as well as a number of African countries, takes part in a series of financial access surveys. This is called Fin Access in Kenya and Fin Scope in other African countries. Fin Access produces a periodic snapshot of financial access in

Kenya based on a nationwide survey. To date three surveys have been conducted, the first in 2006 and the second in 2009, a third study in 2012.

The banks present in Kitui County are; National bank of Kenya, Kenya commercial bank, Co-operative bank, Barclays bank, Family bank, K-rep bank, Post Bank and several SACCOs among them; Kitui Teachers, Mwalimu SACCO and Jaribu SACCO for County Government employees, Best Rock SACCO for business people by the Residents of Kitui County and Universal Traders SACCO. Other financial institutions in the County are the microfinance institutions which offer credit facilities to micro businesses and groups (self-help groups and community based organizations). These microfinance institutions includes; KWFT (Kenya Women Finance Trust), FAULU, SMEP (Small and Micro Enterprise Programme) and FEP (Fountain Enterprise Programme). Because of the existence of all these financial institutions, the commercial banks are facing stiff competition for customers. To counteract the competition, 5 (five) commercial banks are currently operating agency banking in the county. These are; the National bank of Kenya, Kenya commercial bank, Equity bank, Cooperative bank and Post Bank (Ndungu, 2009).

1.2 Statement of the problem

In the last decade, there has been an explosion of different forms of remote access of financial services, including branchless banking. These have been provided through a variety of alternative channels, including mobile phones, automatic teller machines (ATMs), and Point-of-Sale (POS) devices and banking correspondents (Ibid). 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. One of the main obstacles to financial inclusion is cost, both the cost to banks involved in servicing low-value accounts and extending physical infrastructure to remote rural areas, and the cost (in money and time) incurred by customers in remote areas to reach bank branches (Nganga, 2013). In Kenya, Central bank of Kenya continues to report very impressive performance by agent banking, for example volumes transacted in 2012 were triple those in 2011 (Nganga, 2013). Out of 43 banks in Kenya, only 13 of them have adopted agency banking. According to CBK, in pursuit for cheaper deposits the percentage increase of bank branches in 2012 was higher than the percentage increase in bank agents meaning banks side stepped agency banking to open more branches despite the cost saving associated with agency banking. In Kitui County, there has been increase of agency banking outlets even in small shopping centers. This shows that majority of Kitui county residents seems to be using agency banking to access financial services. This is because some regions are too far from the banks and therefore they prefer to transact with the agency banks because of their proximity. For this reason this study investigated the factors influencing the use of agency banking by the Residents of Kitui County.

1.3 The purpose of the study

The purpose for this study was to investigate the factors influencing the use of agency banking by Residents of Kitui County, Kenya.

1.4 Objectives of the study

This study was guided by the following objectives:-

i. To determine the influence of the agent characteristics on the of use of Agency banking by the residents of Kitui County.
ii. To determine the influence of the banking products offered by agency banking on the use of agency banking by the residents of Kitui County.
iii. To assess the extent to which opening hours influence the of use of agency banking by the residents of Kitui County.
iv. To establish the influence of banks' location on the use of agency banking by the residents of Kitui County.

1.5 Research Questions

i. To what extent does agent characteristics influence the use of agency banking by the residents of Kitui County?
ii. How do the banking products of agency banking influence the use of agency banking by the residents of Kitui County?
iii. To what extent does agency banking opening hours influence the of use of agency banking by the residents of Kitui County?
iv. How does banks location influence the use of agency banking by the residents of Kitui County?

1.6 Hypothesis of the study

This study was guided by the hypothesis below.

i. H_{01}: There is no significant association between the agent characteristics and the use of agency banking.

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

iii. H_{03}: There is no significant association between agency opening hours and the use of agency banking.

iv. H_{04}: There is no significant association between banks location and the use of agency banking.

1.7 Significance of the study

The findings from this study are expected to help several stake holders. This study may help the Government in formulating the banking policies concerning agency banking in rural areas. The study may help the bank managers in understanding the factors influencing the use of banking agency hence addressing the issues geared towards improving the use of agency banking. This can improve the profitability of the banks. The study is also likely to enlighten the public on agency banking and therefore encourage them to use the agency banking outlets hence increasing their savings.

1.8 Delimitation of the study

The study was focused on investigating factors influencing the use of agency banking by the residents of Kitui County. The agent characteristics, banking products offered, bank opening hours and bank location are viewed by the study as key factors influencing the use of agency banking by the residents of Kitui County. Kitui County was chosen because of the numerous agency banking operators. The target population for this study were all the agents operating banking agencies for the 5 commercial banks in Kitui County namely; National bank of Kenya, Kenya commercial bank, Equity bank, Post Bank and Co-operative bank. It then excluded other banks which do not have the banking agencies within Kitui County like Barclays bank, Family bank and K-rep bank. Therefore the sample population from these bank agencies made it possible to get useful and reliable information on the subject of the study. The study focused on only the banks in

Kitui County operating agency banking. A thorough training of research assistants on the required data greatly enhanced the response rate and reliability of data collected.

1.9 Limitation of the study.

The increasing competition in the banking industry brought about a lot of suspicion among the bank managers interviewed. The level of literacy and understanding as to the purpose of the research varied from one respondent to the other. This is expected to result into different suspicion among the respondents. As such, a letter of transmittal was sought and this was used to explain the sole academic purpose of the study to the respondents. This being a research on a sensitive area, the bank managers were reluctant to freely provide information that they consider sensitive, fearing that the information given may be used by their competitors in the same industry. The researcher assured them of the utmost confidentiality of the information they gave.

1.10 Assumptions of the study

The study was premised on the assumption that respondents responded adequately to the enquiries and that they provided information in good faith to allow for generalization of the findings.

1.11 Definition of significant terms as used in the study

Agency banking:	Refers to where commercial banks are allowed by Central bank of Kenya to contract third party retail networks as agents to carry out financial services provision on behalf of the bank
Bank Agent:	Refers to someone providing banking services on behalf of commercial banks. In this study they formed the target population.
Bank Location:	This is the specific area in which the bank is situated, where it can be identified by the customers more easily and conveniently for service delivery.
Banking products:	These are the numerous services offered to the bank customers by the banks and the bank agents in Kitui County.
Banking:	Refers to all the activities carried out by banks and other financial institutions involving money or any other financial instrument.
Central Bank of Kenya	Refers to a regulatory body that is established by the government of Kenya to manage and control the supply and demand of money in the economy.
Opening hours:	The operating hours of a bank or bank agency in a day.
Use of agency banking:	The act of banks customers visiting bank agents for the provision of bank services.

1.12 Organization of the study

This study is organized in five chapters. Chapter one is an introduction to the study; the background information, the statement of the problem, the purpose and objectives of the study. It also highlights the research questions this study intends to answer and the significance of the study. This chapter also considers the assumptions, limitations and delimitations of the study.

Chapter two is literature review; that is, an overview of the general literature of the study, followed by the literature review under the themes of the agent characteristics, banking products, bank operating hours and bank location. The literature review has identified the existing gaps that need to be addressed by this study. Conceptual framework has been provided to illustrate the relationships between the dependent and independent variables. Chapter three describes the methodology used for the study. It has captured research design, target population, sample selection procedure, sample size and data collection instruments, data collection procedure, data analysis techniques and ethical considerations to be made during the research process, and finally operational definition of the variables used in this study. Chapter four is data analysis, presentation, interpretation and discussion of findings on the data collected on factors influencing the use of agency banking by the Residents of Kitui County, Kenya. Chapter five is a summary of findings, conclusions, recommendations and suggestions for further research. The chapter has also provided contribution of this study to the body of knowledge.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

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

2.2 Concept of Agency Banking

A study carried out by Ndungu and Njeru (2014), studied some of the factors that contribute to the adoption of agency banking in Kenya. The dependent variable was the total commissions earned by agents from time to time at intervals of six months .The results indicated that System availability contributes to service reliability. High reliability increases the adoption of agency banking. Complaints resolution time does not affect the adoption of agency banking. Agency banking is delivering convenience in form of extended hours of banking and by bringing the banking service closer to the customers leading to increased adoption of agency banking. High quality of agents increases the adoption of agency banking while poor quality agents inhibit the adoption of agency banking. Commissions earned by agents grew from one period to the other signifying adoption and growth of agency banking.

Another study was carried out by Juliet (2013) which focused on the role of equity bank agency banking in providing and availing the banking services to the customers. This study assessed the impact of agency banking in increasing accessibility to banking services and helping in decongesting the banking halls in Kitui central district, through an analysis of the costs and benefits raised by agency banking and how these are distributed among the stakeholders. The findings of this study are; the banking agency availed banking services closer to the customers leading to more accessibility. The recommendations of the study are; Commercial banks should do more advertising to sensitize the public on the availability and the services of Agency banking, Banks should increase the products they offer to their customers to include credit facilities, and that the agencies should have more money so that those who wants to withdraw more would not be forced to go to the banks.

2.3 Agent characteristics and use of agency banking.

A study done by (Njeru, 2014) established that agent characteristics can be assessed using four parameters namely amount of float, agent character, working experience of an agent in agency business and the core business of the agent. The amount of float is the cash at hand and bank balances set aside by the agent for agent banking for withdrawals and deposits. 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 (Ombutora, 2013).

A study done by Ombutora (2013) established that it is 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.

Availability of cash at hand and at banks is a key challenge to banks as most agents are not able to balance the cash holding or have inadequate capital. Lack of enough cash has affected the transactions of 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 (Berry, 1994). 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 limits. 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 is reached, pending deposit of cash at branch, but often with a lag until POS is unfrozen (CGAP,2010). The working experience for the agents is also a key parameter in evaluating the use of agency banking. Agents are expected to take time to establish themselves and the normal growth curve is expected to apply. This means lower foot print in the beginning of a new outlet that keeps on growing to maturity if the correct factors for growth are cultivated or closure or dormancy of agency if the right factors are not exhibited (Berry, 1994)

Alfansi, (2000) established that personal characteristics of the agents are crucial when it comes to operating the bank agency. when customer are satisfied with services 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 commissions earned (Bindra,2007).

The way agents handle customers complaints can also determine whether they will come back for services or not (Ombutora, 2013). 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 hanging 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 (Bindra, 2007). 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 dis-satisfied customer will tell a crowd. Location: 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.

2.4 Banking products and use of agency banking

Agency banking regulations passed in February 2011 enable banks to offer services through third –party agents approved by the CBK. A study by Bindra, (2007) established that agents can be telecoms outlets, small and medium enterprises (SMEs), retail chains, and even small shops among others. They must be a profit- making entity that has been in business for at least 18 months and can afford funds for a float account. The services that agents can offer include cash deposits, cash withdrawals, payment of bills, transfers (including benefits and salary payment) among others.

According to the bank supervision annual report 2013, adoption of agency banking has enhanced access to banking services. Developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development blueprint, vision 2030. In the year 2011, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been a catalyst to fulfilling the goals of building an all-inclusive and efficient financial system. Despite 2011 being a year of accelerated inflation arising from high food and fuel costs the total population with access to financial services, which is key indicator of financial sector growth and development, increased. This was attributed to the cost-effective and efficient innovations within the banking sector, particularly through the mobile money revolution and the adoption of branchless banking models like the agency banking model (CBK, 2013).

Increasing access to finance has been increased with the use of innovation such as agent banking, which allows commercial banks to engage the services of third party outlets to deliver specified financial services on their behalf. Following the roll out of the agent banking model in May 2010, commercial banks have been able to contract varied retail entities. These entities, such as supermarkets, petrol stations, post offices, security companies, courier services among other act as third party agents to provide cash-in-cash out transactions and other services in compliance with the laid down guidelines. As at December 2011, there were 8 commercial banks that had contracted 9748 active agents facilitating over 8M transactions valued at ksh.43.6B.This represented 3 percent of the total deposit base in the banking industry (CBK, 2013).

Tremendous growth has been evidenced in agency banking conducted by commercial banks; as at December 2012, there were 10 commercial banks that had contracted 16,333 active agents facilitating over 38M transactions valued at ksh.195.8B. The financial sector has recorded a tremendous growth with most Kenyans accessing finances at their convenience. This has reduced the cost of transactions and the time especially for the Kenyans in remote areas. The number of banking transactions undertaken through agents increased from 9.7M registered in the quarter ending March 2013 to 10.2 M transactions registered in the quarter ending June 2013. Similarly the value of banking transactions undertaken through agents increased from ksh.53.3B to ksh.60.4B over the same period. The increased number and value of transactions demonstrate the increased role of agent banking in promoting financial initiatives being championed by the CBK (CBK, 2013).

The increase is due to the fact that banks and financial related institutions in Kenya are increasingly deploying the use of payments using agencies to enhance the quality of their financial service and increase growth. The pace of transformation in the financial sector speeded up with more agency banking businesses realizing the potential of using the agencies in transacting payments in their service delivery.

According to the Bank supervision annual report (CBK, 2013), the bank with highest number of customers is Equity bank which has 5.3M customers and 2,851 agents followed by Co-operative bank with1.9M customers and 561 agents. This indicates that agent banking has an effect on financial deepening as the higher the number of agents, the higher the number of customers'. Agency banking is fast growing as banks spread financial services across Kenya.

According to the Bank supervision annual report by CBK (2013), in the year 2012 cash deposits through commercial bank agents stood at 13M transactions valued at 1.2B. On the other hand, cash withdrawals were valued at $591M. The agents also made transactions of payment of retirement social benefits worth $1.3M and bill payments worth $2.8M.The partnership of banks with third parties has seen banks in Kenya take financial services closer to the people; in particular to areas that lack banks.

Agency banking in Kenya is the new way that banking in Kenya is using to take banking services to the unbanked and under banked at a cheaper rate. The banks are training agents who will engage in banking services on behalf of the banks. This means other than availing financial access to customers' agency banking also creates employment. The agency does not have to perform all the activities. These include but are not limited to; Cash deposits, cash withdrawals, bill payment, and repayment of loan, salary payment, funds transfer, and balance enquiry among others.

Agency banking provide the opportunity for customers to access financial products and services at a location nearest to the customer, this breaking down certain barriers to financial inclusion such as cost and accessibility. Despite the use of the agency banking for the banks to bring financial services closer to their customers it has been currently said that the long queues of people seeking services in banks have not reduced, hence the researcher’s need to study the factors influencing the use of agency banking by the residents of Kitui County, Kenya.

2.5 Bank Agent opening hours and use of agency banking

A study done by Mangatu & Shamaz (2013) established that 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 Bank, 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 operating 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.

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, 2013). 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).

The type of agent business is critical in a number of ways. First the nature of business determines the hours of operation. For example retail shops, supermarkets and hotels are known to open 365 days a year, they open early and close late. Chemists are known to open late in the day but extend late in the night. Majority of other businesses like the hard-ware shops open between 0800hrs and 1800 hrs. The more formal businesses like the SACCOs and microfinance have similar hours of business to those of banks and remain closed for businesses on weekends and public holidays (CGAP, 2010).

2.6 Location of banks and use of agency banking

According to Sand (2012) in the past, poor people living in Nairobi slums experienced problems when attempting to gain access to financial services. This was because banks were not near their localities and they were forced to travel significant distances in search of a bank .What this meant, for someone living in an out-of-the- way informal settlement, was that they would have to cut out a large part of their day to travel and then stand in queues. Transport costs also had to be taken into account; more often than not, the whole endeavor would prove extremely time-consuming and costly. Since 2010, however, there have been significant improvements in the banking sector with the introduction of agency banking, an innovative delivery channel that seeks to bring access to financial services much closer to poor people (Sand, 2012).

James Mwangi, the owner of a Kibera Commercial bank agent outlet he said that the system has been a big boost to the community, especially for those whom mobility out of the slum can prove challenging. Margret, a beauty salon owner, explains how the agent banking model has worked in her favor. According to Margret, before this initiative came, she used to have a lot of trouble with her customers [getting calls all the time] asking where she was. Margret said that it always took her hours to make a transaction at the bank, and this only meant losing out customers who had come to have their hair done. Margret was also using more money on transport to access a bank branch (Ibid).

According to Habil (2013), days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now do this at their convenience by using Agents outlets. Agency banking has enabled bank customer to access the banking services within the comfort of their neighbor-hood.

Agency banking can dramatically reduce the cost of delivering financial services to the unbanked people. Agency banking can address the two main problems of access to finance; the cost of roll-out (physical presence) and the cost of handling the low value transactions. This is achieved by leveraging networks of existing third party agency for cash transactions and account opening and by conducting all transactions on line. This sharp cost reduction creates the opportunity to significantly increase the share of the population with access to formal finance and, in particular, in rural areas where many people in developing countries live (FSD, 2009).

According to Ivantury and Timothy (2006), Agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), long opening hours, shorter queues than in branches ,more accessible to the poor who might feel intimidated in branches compared to agency. Agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch. The heavy cost of serving low value accounts and providing physical banking infrastructure to unbanked areas was a major impediment to financial inclusion in the past. This model was heavy on the pockets of poor customers, who had to spend time and money to travel long distance to the nearest branch. Agency banking rationalized banks operational expenditure, and reduced the cost to customers, while enabling wider reach.

2.7 Theoretical framework

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

2.7.1 Agency theory

This theory analyses the relationships between a business firm's owners and its managers who, under law are agents for the owners. The key issues in agency theory Centre upon whether adequate market mechanism exist that compel managers to act in ways that maximize the utility of a firm's owners where ownership and control are separated. Agency problems emerge because contracts between principals and their agents are neither costless written nor costless enforced. Managers as agents of a firm's shareholders may not devote their best efforts toward managing the firm unless those efforts are consonant with maximizing their own welfare.

In the commercial banking industry, ownership is becoming increasingly diversified among individual and institutional shareholders and the dominance of individual stakeholders in the industry appears, on the whole, to be decreasing (as noted by the Federal Reserve board).These trends may exacerbate "agency problems" in the banking industry if these problems truly exist. Under the terms of agency theory a principal (P) passes on authority to an agent (A) to conduct transactions and make decisions on behalf of the principal (P) in an effort to maximize P's utility preferences. Agency problems can arise if P and A have different goals or P and A have disparate skills in evaluating A's performance or P and A possess different sets of information relevant to the managerial decisions agent must make as a representative of principal or P and A have different degrees of risk aversion. Agency costs arise when information disparities exist that cannot be costless, corrected or where preferences of principals and agents cannot be matched at zero cost, giving rise to moral- hazard or adverse- selection problem. A problem that often exists when one person is acting on behalf of another that is created by the reality that the goals of the agent can differ from those of the principal to verify what the agent is doing.

2.7.2 Innovation theory

This study was also based on the innovation theory of a trade cycle proposed by J.A. Schumpeter. He regards innovations as the originating cause of trade cycles. According to him, the term "innovation" should not be confused with inventions. Inventions, in ordinary parlance, are discoveries of scientific novelties. Innovation is the application of such inventions to actual production. It is innovations that are subject to cyclical fluctuations, not inventions. Innovation, thus, in economics means the commercial application of inventions like new techniques of production, new methods of organization, novel products, among others.

Schumpeter regards trade cycles as the offspring of economic progress in a capitalist society. Cyclical fluctuations are inherent in the economic process of industrial production. When there are internal changes taking place on account of innovation, the development process begins. Schumpeter classifies innovation into five categories as follows; Introduction of new type of goods, Introduction of new methods of production, opening of new markets, discovering of new sources of raw materials and change in the organization of an industry, like the creation of a monopoly, trust, or cartel or breaking up of a monopoly, cartel, among others.

Innovation, however, does not arise spontaneously. It must be actively promoted by some agency in the economic system. Such an agent, according to Schumpeter, is an "entrepreneur", entrepreneurs are innovators. To carry out his innovative function, the entrepreneur needs two things. First, he must have the technical knowledge to produce new products or new services. Second, since the introduction of innovation presupposes the diversion of the means of production from the existing to new channels, the entrepreneur must also possess the power of disposal over the factors of production.

The necessary command over the productive factor is provided by the monetary factor in the form of credit. The entrepreneur secures funds for his project not from saving out of his own income but from the crediting bank system. Thus, money capital and bank credit play a significant role in the Schumpeterian theory. According to Schumpeter, credit is important only in so far as the innovation is concerned in the context of a progressing economy, and only if the innovator requires credit to carry on his function, like innovative activity. In the absence of innovation, in a circular flow of money economy, where Say's Law of Market operates in total, no credit is required.

2.8 Conceptual frame work

Under this the researcher demonstrated the independent and the dependent variables together with the indicators.

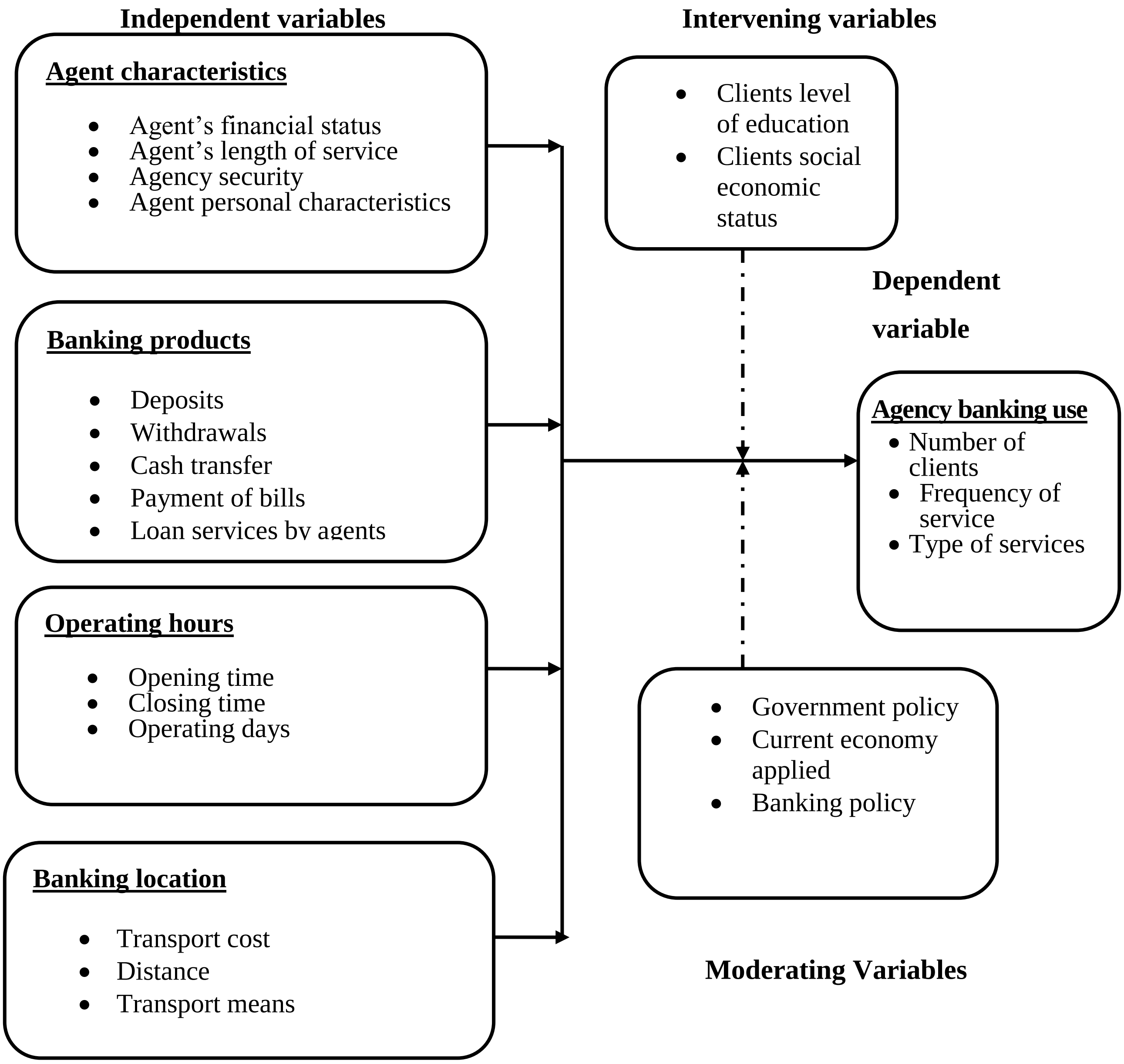

Figure 2.1: Conceptual framework.

This framework shows the relationship between independent variables and dependent variables. The independent variables include; agent characteristics, banking products offered agency opening hours, and location of banks. The agent characteristics which might affect use of banking agency include; amount of float, agency experience, and personal characteristics of the agent. The banking activities includes; withdrawal, deposits, cash transfer and payment of bills. On the other hand operating hours determined by opening time, closing time and days of operation while banks location determined by distance, transport cost and transport means. All these variables and indicators are explaining the factors influencing the use of agency banking by the Residents of Kitui County which is the gap being addressed by this study.

2.9 Knowledge gaps

A lot of literature on the contribution of agency banking to various levels of economic growth exists. The literature review of this study has highlighted agency banking benefits to include economic growth and enhancing community development especially in the less developed areas of an economy. However, very little has been done to determine factors that influence the use of agency banking by the Residents of Kitui County. This study examined the influence of such variables as the agent characteristics, banking products offered, bank opening hours and bank location on the use of agency banking by the Residents of Kitui County, hence added new knowledge which would contribute to strategic planning in the banking industry for sustainable agency banking in Kitui County.

2.10 Summary of Literature Review

Following the roll out of the agent banking model in May 2010, commercial banks have been able to contract varied retail entities. These entities, such as supermarkets, petrol stations, post offices, security companies, courier services among others act as third party agents to provide cash-in-cash-out transactions and other services in compliance with the laid down guidelines. This has reduced the cost of transactions and the time especially for the Kenyans in remote areas. Kenya Bankers Association’s John Wanyela said the increased banking hours point to a shift towards a 24-hour economy, adding that it would help retailers such as supermarkets that wish to operate for long hours. Some banks have also taken advantage of the introduction of the agency banking model to have their operations in outlets such as supermarkets that open for 24-hours or up to late in the night (Property Kenya, 2010). While this happening targeted the high net worth, the low income earners have moved with the trend as they facilitate and service such lifestyle change. According to Habil Olaka (2013), days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now do this at their convenience by using Agent outlets.

Agency banking has enabled bank customers to access the banking services within the comfort of their neighbor-hood. Several researchers have researched on agency banking in Kenya. These includes Juliet (2013) who investigated on factors facilitating accessibility of banking services through agency banking in Kenya: a case of Equity bank, Ndung'u (2014) who researched the factors that contribute to the adoption of agency banking in Kenya and Ombutora, e. k. & Mugambi, f. (2013) who investigated role of agency banking on the performance of banking agent entrepreneurs: a case study of co-operative bank co-op Kwa Jirani in Kibera, Nairobi. However none of these researchers investigated factors influencing the use of agency banking by the Residents of Kitui County which is the focus of this study.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used in this study and provides a general framework for this research. The chapter presents details of the research design, target population, sample and sampling procedures, description of research instruments, questionnaire, interview schedule, validity and reliability of instruments, data collection procedures, data analysis techniques and ethical considerations.

3.2 Research Design

This study used a descriptive survey research design. This is because of the following reasons: The design was useful in describing the characteristics of a large population, makes use of large samples, thus making the results statistically significant even when analyzing multiple variables, many questions can be asked about a given topic giving considerable flexibility to the analysis, the design allows use of various methods of data collection like questionnaire and interview methods and it also makes use of standardized questions where reliability of the items is determined (Owen, 2002).

3.3 Target population

The target population for this study consisted of all banking agents, bank managers and some customers in the County. There are 407 bank agencies, 12 bank managers, and 66 customers from agencies in Kitui who formed the target population (Development in the Kenyan Banking Sector for the quarters ended 31st March, 30th June and 30th Sep 2013-CBK,2013) .

3.4 Sample Size and Sampling Procedures

This section presents how the sample size was determined which includes sampling technique used to select elements from the target population.

3.4.1 Sample size

The researcher selected 30% respondents from a population of 407 which made a sample of 122 agents, 30% from 12 bank managers making 5 and 20 customers from agencies in Kitui town representing every bank which was chosen using purposive sampling. This sample is sufficient according to Mugenda & Mugenda 2003.

To arrive at the sample size, formula used was:

$$s = 30/100 \times P$$

Where s – sample size

P – Total population

Table 3. 1: Sample Size

Bank	Number of agencies (population)	Sample
National bank	38	11
Equity Bank	143	43
Cooperative bank	128	38
Kenya Commercial bank	68	20
Post bank	30	10
Total	**407**	**122**

Source: Development in the Kenyan Banking Sector for the quarters ended 31^{st} March, 30^{th} June and 30^{th} sep 2013- CBK, 2013.

3.4.2 Sampling procedure

This study used simple random sampling and purposive sampling to select the respondents. Simple random sampling was done by cutting papers bearing the names of the agents, mixing them and selecting without replacement. The bank managers were purposively selected because they are managers of the banks and they have a good picture of agency banking in Kitui County. Purposive sampling was also used to select bank customers who use both agency banking and visit the main banks as well.

3.5 Research Instruments

This study used the questionnaires and the interview schedule to collect data. The questionnaires were used to collect data from the agents while the interview schedules were used to collect information from the bank managers and customers. Questionnaires were used simply because it can be used to reach a large number of respondents within a short time, it gives the respondents adequate time to respond to the items, offers a sense of security (confidentiality) to the respondents and lastly it tends to be objective since there is no bias resulting from the personal characteristics (as in interview) (Ogula, 1998). Interview guides were considered appropriate in this study because it enabled the researcher to yield highest cooperation and lowest refusal rates; it offers high response quality, takes advantage of interviewer presence and its multi-method data collection (Owen, 2002). The guide comprises of both closed and open ended questions.

3.5.1 Pilot testing

According to Mugenda and Mugenda (2003), a research instrument should be pre-tested using 10% of the sample size. The research instrument in this study were pre-tested using 15 respondents representing 10% of the sample size. Pilot testing was done among the banking agencies in Machakos County.The results of the pilot study were discussed with the respondents to make the required adjustments. The major objective was to test the instrument validity and reliability. The purpose of pretesting was to assess the clarity of the instrument, the validity and reliability of each of the items in the instrument and the suitability of the language used in the instrument (Mulusa, 1990).

3.5.2 Validity of research instruments

To establish the validity of research instruments, a pilot study was carried out by the researcher for the purpose of establishing the consistency of the data collection instruments. In the pilot study, three agents were picked and care was taken not to include them in the study. Data collection instruments distributed to the pilot group and the responses provided closely monitored by the researcher who in turn after completion used the data to calculate the validity of the instruments as well as to ensure that the instruments were clear, precise and comprehensive enough.

3.5.3 Reliability of Research Instruments

For a research instrument to be reliable, it must be capable of yielding consistent results when used more than once to collect data from two samples drawn randomly from the same population (Mugenda and Mugenda, 1999). To establish the reliability of the research instruments, the researcher used the split-half method. The method involved splitting each instrument into two halves (odd and even items) then calculating the Pearson's correlation coefficient (r) between the responses (scores) of the two halves. This was done using both the instruments separately. The scores for all odd and even numbered items for each of the 3 respondents in the pilot study were computed separately. From the computation, the correlation co-efficient was found to be 0.86 which was deemed reliable (Mallery, 2003).

3.6 Data Collection Procedures

The researcher obtained a research permit from the National Commission for Science, Technology and Innovation. This was an authorization permit to conduct the research in Kitui County. This was presented to all the bank managers in Kitui County as well as agents operating within Kitui County. The researcher then made appointment with the sampled agents as well as the bank managers. The researcher then administered the research instruments assisted by the well trained research assistants. She gave give adequate time to participants to fill the questionnaires and then collected them. The researcher made prior arrangements with the ward administrators to visit them at their respective places of work and administer the in-depth interview schedule to them at their convenient time through face to face conversation.

3.7 Data analysis techniques

The collected data was analyzed using both quantitative and qualitative data analysis approaches. Descriptive quantitative approach is where simple frequencies and percentages are used and data presented in form of tables and figures. Hypotheses were tested using correlations and multiple regressions. To establish the effect of independent on dependent variables, multiple regressions were performed. The qualitative data was presented based on narrative forms and integrated within the quantitative data. These, along with quantitative data, formed the basis of discussion in the light of the available literature.

3.8 Ethical Considerations

In this study, the confidentiality of the research participants was ensured. This was done based on ensuring that the principles governing research participants were followed. The researcher ensured that the principle of voluntary participation which requires that people are not coerced into participating in research followed. The informed consent of the participants was ensured by explaining the aim of the study and the procedures involved. The researcher also guaranteed the participants of the confidentiality.

Table 3. 2: Operationalization of the study variables

Objectives	Variables		Indicator(s)	Measurement	Level of scale	Tools of analysis
	Independent	**Dependent**				
To determine the influence of the agent characteristics on the use of Agency banking by the Residents of Kitui County.	Agency characteristic	Use of agency banking	-Float - Experience – personal characteristics	-Number of clients -Operating capital -Agency age	- Nominal -Ordinal	**Descriptive statistics** -Frequency distributions -Percentages -Mean - correlation
To determine the influence of the agency products on the use of Agency banking by the Residents of Kitui County.	Agency Products	Use of agency banking	-deposits -withdrawals -Cash transfers	-Variety of clients	-Interval - Nominal -Ordinal	**Descriptive statistics** -Frequency distributions -Percentages -Mean - correlation
To determine the influence of the agent opening hours on the use of Agency banking by the Residents of Kitui County	Agency opening hours	Use of agency banking	- Opening time -Closing time - opening days of the week	- Time when clients are more	-Interval - Nominal -Ordinal	**Descriptive statistics** -Frequency -Percentages -Mean
To determine the influence of the agent location on the use of Agency banking by the Residents of Kitui County.	Bank's location	Use of agency banking	- Distance to the main bank. -transport cost -Transport means	-number of clients -transport means	-Interval - Nominal -Ordinal	**Descriptive statistics** -Frequency distributions -Percentages - Correlation

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents data presentation, analysis and interpretation in the following sub-themes questionnaire response rate, demographic data for bank agents, age character and use of agency banking, banking products offered by agency banking, agency opening hours and use of agency banking and finally influence of bank's location on use of agency banking. Data analysis was done using both qualitative and inferential statistics with aid of Statistical package for social scientists (SPSS) and then presented in tables. Qualitative data were analyzed thematically according to the study objectives.

4.2 Questionnaire response rate

To collect the necessary data the study administered a total of 122 questionnaires in the following categories; 11 national bank, 43 equity banks, 38 cooperative bank, 20 KCB and 10 post bank. The study therefore sought to establish the questionnaire response return rate in each category. The findings are summarized in table 4.1.

Table 4. 1: Questionnaire return rate in each category

Category	No of Questionnaires Returned	Target No. of questionnaires	Frequencies	Response rate Percentage
National bank	11	11	11	100.0
Equity bank	43	43	43	100.0
Cooperative	38	38	38	100.0
KCB	20	20	20	100.0
Post bank	10	10	10	100.0
Total	**122**	**122**	**122**	**100.0**

The analysis revealed that 122 questionnaires were filled and returned hence the response rate was 100.0%. Response return rates per category was 100% from national bank, 100% from Equity bank, 100% from cooperative bank, 100% from KCB, and 100% post banks. According to Mugenda and Mugenda (2003) a response rate of 60% is good and a response rate of 70% and over is very good. Therefore a response rate of 100%% of the entire study is very good hence this has helped to increase the reliability of the study. This high return rate was enhanced through the use of well guided and facilitated research assistants.

4.2 Demographic data for banking agents

The study sought to determine the demographic characteristics of the respondents. These include respondents' gender, age, education level and age of agency. The results are discussed in the following subsequent sub-themes.

Table 4. 2: **Respondents Gender**

Gender	Responses	Percentage
Male	102	83.6%
Female	20	16.4%
Total	**122**	**100%**

Table 4.2 shows that, majority of respondents were male (83.6%) while the female were 16.4%. This means more female should be encouraged to start Agency banking services. However, the respondent's gender had no influence on the study results.

Table 4. 3: **Respondents' Age Distribution**

Age bracket in years	Responses	Percentage
Below 30 years	22	18%
30 - 40 years	40	32.8%
41 and above years	60	49.2%
Total	**122**	**100%**

Majority of respondents were aged 41 years and above (49.2%) and 30 -40 years (32.8%) respectively. Majority of people in this age bracket are people who have been in business for long and are earning income and this is likely to be the reason why they are more than the others. The least were those aged below 30 years (18%). Majority of people who are in this age mostly do not earn income since many are either in school or in college. However, the results indicate there is need to sensitize more young people in business to open up banking agencies.

Table 4. 4: **Respondents Academic level**

Academic level	Responses	Percentage
Primary	10	8%
Secondary	24	19.7%
Certificate	26	21.5%
Diploma	27	22.1%
Degree	35	28.7%
Total	**122**	**100%**

Table 4.4 shows that majority of the respondents were degree holders (28.7%) while the least were those with primary and secondary certificates (8%). These results show that there seem to be a relationship between academic level and use of agency banking

Table 4. 5: **Age of Agency**

Age bracket in years	Responses	Percentage
Below 2 years	20	16.4%
3 - 4 years	62	50.8%
More than 4 years	40	32.8%
Total	**122**	**100%**

Table 4.5 shows that majority (50.8%) of the agents had operated for 3-4 while those who had operated for a short time had operated for less than 2 years. These results show that Kitui people were using agency banking to a great extent and that is why the agents were encouraged to continue operating for more years and even more agencies were opened.

4.3 Agent characteristics and use of Agency banking

The first objective for this study was to determine the influence of the agent characteristics on the use of Agency banking by the Residents of Kitui County. To achieve this objective, the respondents were first required to indicate whether the agent characteristics influence the use of Agency banking by the Residents of Kitui. The responses were presented in Table 4.6

Table 4. 6: **Responses on Agency characteristics and use of Agency banking**

Responses	Frequency	Percent
Yes	86	70.5
No	36	29.5
Total	**122**	**100.0**

Table 4.6 shows that majority (70.5%) of the respondents agreed that agent characteristics influences the use of Agency banking by the Residents of Kitui. This is because the agency characteristics determine the core business of the agency. The researcher further sought to establish the respondents opinion concerning the extent to which they agreed with the statements given in the Table 4.6 below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree.

Table 4. 7: Opinion on Agency characteristics statements

	Factor	1	2	3	4	5	Total
1	The amount of float of an agency determines the number of clients	30(24.6%)	22(18%)	14(11.5%)	27(22.1%)	29(23.8%)	**122(100%)**
2	The experience of the agent attracts customers	40(32.8%)	37(30.3%)	13(10.7%)	28(23%)	4(3.3%)	**122(100%)**
3	Clients need a welcoming agency	54(44.3%)	58(47.5%)	3 (2.5%)	4(3.3%)	3(2.5%)	**122(100%)**
4	The speed of service delivery to customers influences the number of clients visiting the agency.	85(69.7%)	23(18.9%)	3(2.5%)	5(4.1%)	6(4.9%)	**122(100%)**
	Mean responses	**52(43%)**	**32(26%)**	**9(7%)**	**16(13%)**	**13(11%)**	122(100%)

Table 4.7 shows that majority (43%) of respondents strongly agreed and also agreed (26%) while 4.1% and 4.9 % disagreed and strongly disagreed respectively with the statements that; the amount of float of an agency determines the number of clients, the experience of the agent attracts customers, clients need a welcoming agency and that the speed of service delivery to customers influences the number of clients visiting the agency. This is because float is the major tool in the operation of agency banking and the more the float the more one remains in business. Also the experience of the agency will help the agency to manage the business in a better way by keeping good records, relating well with customers and serving them without unnecessary delays. These results agree with (Alfansi, 2000) who argued that the personal characteristics of the agents are crucial

when it comes to operating the bank agency. This is because when customer are satisfied with services 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 commissions earned (Bindra,2007). The way agents handle customers complaints can also determine whether they will come back for services or not (Ombutora, 2013).

To confirm these results the researcher further tested hypothesis H_{01} using correlation coefficients.

H_{01}: There is no significant relationship between the agent characteristics and the use of agency banking.

The results were presented in Table 4.8.

Table 4. 8: **Relationship between Agency characteristics and Agency banking use**

		Agency characteristics	Agency banking use.
Agency characteristics	Pearson Correlation	1	0.8**
	Sig. (2-tailed)		0.04
	N	122	122
Agency Banking use	Pearson Correlation	0.8**	1
	Sig. (2-tailed)	0.004	
	N	122	122

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

Table 4.8 revealed that there is a strong positive correlation at 95% confidence level between agent characteristics and Agency banking use ($r = 0.80$, $p = 0.04$). Since $P< 0.05$ then the relationship is significant and therefore we do reject the hypothesis and conclude that there is a significant relationship between the agency bank characteristics and the use of agency banking ($p<0.005$). This because an agency with enough plot, welcoming agent, and serving customers with speed encourages them to keep on coming to the same agency as opposed to the ones without enough plot, not welcoming, and not serving in speed. This implies that if agencies have a good character then they are likely to attract more clients. This confirms the claim that the agency characteristics are crucial for better functioning of the agencies (Ombutora, 2013)

The study revealed that majority of respondents strongly agreed with the statements that; the amount of float of an agency determines the number of clients, the experience of the agent attracts customers, clients need a welcoming agency and that the speed of the agent in serving customers influences the number of clients visiting the agency as shown in table 4.7. Also there was a strong positive correlation between characteristics and Agency banking use, meaning there is a significant relationship between the agency bank characteristics and the use of agency banking. The findings from scheduled interviews for customers and branch managers also revealed that agent character influenced the number of customers who visit an agent. These findings concur with that of Ombutora (2013), that 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, hence the amount of float of an agency determines the number of clients served.

4.4 Banking products offered by agency banking

The second objective for this study was to determine the influence of the banking products offered by agency banking on the use of agency banking by the Residents of Kitui County. The banking products offered by agency banking include; deposits, withdrawal, cash transfer, payment of bills and balance enquiry.

The respondents were further required to show the extent to which they agreed with the statements given in the Table below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree.

Table 4. 9: **Banking agency services**

	Factor	1	2	3	4	5	Total
1	Bank agencies helps most people in the rural areas in saving	46(37.7%)	38(31.1%)	8(6.6%)	17(13.9%)	(10.7%)	**122(100%)**
2	Most people prefer using banking agencies in their transactions.	33(24.6%)	22(18.0%)	14(11.5%)	27(22.1%)	29(23.8%)	**122(100%)**
3	Services offered via Bank agencies should be diversified to include all services offered by banks.	63(51.6)	27(22.1%)	7(5.7%)	10(8.2%)	15(12.3%)	**122(100%)**
4	Banking agencies should provide credit facilities.	30(24.6%)	50(41.0%)	9(7.4%)	20(16.4%)	13(10.7%)	**122(100%)**
	Mean responses	**43(35%)**	**34(28%)**	**10(8%)**	**19(16%)**	**16(13%)**	**122(100%)**

Table 4.9 revealed that majority of the respondents (35%) strongly agreed while 28% agreed while 16% and 13 % disagreed and strongly disagreed respectively with the statements; bank agencies helps most people in the rural areas in saving, most people prefer using banking agencies in their transactions, services offered via Bank agencies should be diversified to include all services offered by the mainstream banks and banking agencies should provide credit facilities. This shows that although the banking agencies are providing banking services there are still other services required by people and are not available at the banking agencies. This agrees with Juliet (2014) who argued that Agency banking in Kenya takes banking services to the unbanked and under banked at a cheaper rate and that the agency does not have to perform all the activities. These include but are

not limited to; Cash deposits, cash withdrawals, bill payment, and repayment of loan, fund transfer and balance.

Further the researcher tested the hypothesis;

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

Table 4. 10: Correlation between banking products and Agency banking use

		Banking products	Agency banking use
Banking products	Pearson Correlation	1	0.78**
	Sig. (2-tailed)		0.002
	N	122	122
Agency Banking use	Pearson Correlation	0.78**	1
	Sig. (2-tailed)	0.002	
	N	122	122

**. Correlation is significant at the 0.05.

Table 4.10 shows that there is a strong positive correlation at 95% confidence level between banking products and Agency banking ($r = 0.78$, $p = 0.02$). Since $p< 0.05$, we reject the hypothesis and conclude that there is a significant relationship between the agency bank products and the use of agency banking. This implies that the banking Agencies do have products that attracts more customers. These results support the argument by Juliet (2014) that the banking agency was worthwhile in availing banking services closer to the customers.

The study also established that majority of the respondents strongly agreed with the statements; bank agencies helps most people in the rural areas in saving, most people prefer using banking agencies in their transactions, services offered via Bank agencies should be diversified and banking agencies should provide credit facilities as indicated in table 4.9. Also there is there is a strong positive correlation between banking products and use of agency banking, implying there is a significant relationship between the agency bank products and the use of agency banking. He also find out that the services that agents can offer include cash deposits, cash withdrawals, payment of bills, transfers (including benefits and salary payment) among others which similarly concur with these findings. The findings from scheduled interviews for customers and bank managers also revealed that banking products influenced whether the customer will visit the agent or have to come to the main bank. The findings of Ndungu, (2009) also concurs with these findings that the products offered by banking agencies include but are not limited to; Cash deposits, cash withdrawals, bill payment, repayment of loan, salary payment, funds transfer, balance enquiry among others.

4.5 Agency opening hours and use of agency banking

The third objective for this study was to assess the extent to which opening hours influence the use of agency banking by the Residents of Kitui County. To achieve this objective the respondents were required to give their opinion on whether agency opening hours influences the use of Agency banking. The responses were presented in Table 4.11.

Table 4. 11: **Opening hours influence on use of agency banking.**

	Frequency	Percent
Yes	94	77.0
No	28	23.0
Total	**122**	**100.0**

Table 4.11 shows that majority (77.0%) of the respondents indicated that opening hours influence of use of agency banking. The earlier the agency opened the better for the clients. It was also observed that majority (75.4%) of agencies are opened at 8.00 am and closed at 6.00 pm. This enabled them to have longer working hours as opposed to banks which operate between 8.30am and 4.00 pm. The researcher further sought to determine the number of days the agency operated per week.

Table 4. 12: **Number of days the agency operated per week**

Days per week	Frequency	Percent
7	30	24.6
6	84	68.9
5	8	6.6
Total	**122**	**100.0**

Table 4.12 revealed that most of the agencies (68.9%) operated 6 days per week. However 24.6% operated 7 days per week. These are also more days compared to the normal banks hence allowing customers more access to banking services. Further the researcher tested the hypothesis that;

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

Table 4. 13 : Correlation between Long opening hours and Agency banking use

		Opening time	Agency banking use
Opening time	Pearson Correlation	1	0.86**
	Sig. (2-tailed)		0.03
	N	122	122
Agency Banking use	Pearson Correlation	0.86**	1
	Sig. (2-tailed)	0.003	
	N	122	122

**. Correlation is significant at the 0.05 level of significance.

Table 4.13 shows that there is a strong positive correlation at 95% confidence level between long opening hours and Agency banking use($r = 0.86$, $p = 0.03$). Since $P< 0.05$, we do reject the hypothesis and conclude that there is a significant relationship between the agency bank opening hours and the use of agency banking. This implies that the banking Agencies have improved the banking operating hours by offering services even when the mainstream banks are closed .According to the bank supervision annual report (2012), adoption of agency banking has enhanced access to banking services for long hours. The financial sector reform and development blueprint, vision 2030 indicated that, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been a catalyst to fulfilling the goals of building an all-inclusive and efficient financial system.

Agency banking provides the opportunity for customers to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion such as cost and accessibility. Despite the use of the agency banking by the banks to bring financial services closer to their customers it has been currently said that the long queues of people seeking services in banks especially in Equity bank have not reduced, hence the researcher’s need to study the factors influencing the use of agency banking by the Residents of Kitui County, Kenya.

The study established that there is a strong positive correlation between long opening time and Agency banking and that there is a significant relationship between the agency bank opening hours and the use of agency banking. This means that the extended opening hours influenced the use of agency banking. The findings from scheduled interviews for customers and bank managers also revealed that opening hours also influenced whether a customer would visit the agent or the bank. These findings strongly concur with that of Mangatu and Shamaz, (2013) that 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. Mangutu and Shamaz (2013) attributed the extension of banking hours to increased economic activities, traffic jams that have cut peoples' spare time and change of Kenyan's lifestyles. 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).

4.6 Influence of bank‘s location on use of agency banking.

The last objective for this study was to establish the influence of banks’ location on use of agency banking by the Residents of Kitui County. To achieve this objective, the respondents were required to indicate their opinion on banks’ location influence and extent of use of Agency banking.

Table 4. 14: Influence of bank’s location on use of agency banking.

Opinion	Frequency	Percent
Yes	94	77.0
No	28	23.0
Total	**122**	**100.0**

Table 4.14 shows that majority (77%) of the respondents agreed that banks location influences use of agency banking. The researcher further required the respondents to indicate the extent to which they agreed with the statements given in the Table 4.9 below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree.

Table 4. 15: Banks location influence on use of agency banking

	Factor	**1**	**2**	**3**	**4**	**5**	**Total**
1	Most of our clients are highly affected by transport means.	64(52.5%)	38(31.1%)	5(4.1%)	5(4.1%)	10(8.2%)	**122(100%)**
2	Many people use banking agencies because of location of the main banks' in relation to their homes and enterprises.	57(46.7%)	44(36.1%)	4(3.3%)	6(4.9%)	11(9.0%)	**122(100%)**
3	Using bank agencies saves on transport cost	33(27.0%)	39(32.0%)	22(18.0%)	12(9.8%)	16(13.1%)	**122(100%)**
4	Bank agencies operates where there are no banks	15(12.3%)	21(17.2%)	20(16.4%)	53(43.4%)	13(10.7%)	**122(100%)**
	Mean responses	**43(35%)**	**36(30%)**	**13(11%)**	**19(16%)**	**11(8%)**	**122(100%)**

Table 4.15 shows that the majority (35%) and (30%) of the respondents strongly agreed and agreed respectively while 16% and 8 % disagreed and strongly disagreed with the statement; most of our clients are highly affected by transport means, many people use banking agencies because of location of the main banks' in relation to their homes and

enterprises, Using bank agencies saves on transport cost, and bank agencies operates where there are no banks.

The researcher further tested the hypothesis that; H_{04}: There is no significant relationship between banks location and the use of agency banking.

The results were presented in Table 4.16.

Table 4. 16: Correlation between bank's location and use of agency banking

		Bank's location	Agency banking use
Banks location	Pearson Correlation	1	0.82**
	Sig. (2-tailed)		0.000
	N	122	122
Agency Banking use	Pearson Correlation	0.82**	1
	Sig. (2-tailed)	0.000	
	N	122	122

**. Correlation is significant at the 0.05 level significant.

Table 4.16 shows that there is a strong positive correlation at 95% confidence level between banks' location and Agency banking use ($r = 0.82$, $p = 0.000$). We do therefore reject the hypothesis and conclude that there is significant relationship between the bank's location and the use of agency banking ($p<0.05$). This implies that the banking Agencies have improved the access of the banking services in both urban and rural areas by bring services closer to the people.

4.7 Agency banking Use

The researcher sought to establish the frequency of use of agency banking by the respondents of Kitui. The responses were presented in table 4.17

Table 4. 17: Frequency of use of agency banking

Level of use	Frequency	Percent
Very High	98	80.0
High	20	16.0
Moderate	4	4.0
Low	0	0.0
Total	**122**	**100.0**

Table 4.17 shows that majority (80%) of respondents indicated that the level of agency use in Kitui County was very high. This shows that the Kitui County residents had embraced the idea of using agency banking to perform most of their transactions. The researcher further required the respondents to indicate the reasons they preferred using agency banking mostly.

The responses were presented in Table 4.18.

Table 4.18: Why agency banking was used

Parameter	Frequency	Percent
Agency characteristics	16	13.0
Banking products	73	60.0
Opening hours	24	20.0
Agency location	9	7.0
Total	**122**	**100.0**

Table 4.18 indicated that the greatest reason why customers preferred using banking agencies was the banking products offered by agency banking. These products included deposits, withdrawals, and utility bill payments among other services. The products therefore, seem to be the major attraction towards the agency banking use by the residents of Kitui. This is because the agencies are offering most of the products a normal bank would offer and therefore there is no need to waste time and money travelling to a bank while you can get the same services from the bank agents. This agrees with Juliet(2014) who argued that agency banking provide the opportunity for customers to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion such as cost and accessibility.

4.7 Regression Analysis

The researcher used multiple regression analysis to test the effect of change of independent variables on dependent variables. The regression was used because it gives an equation which will help in the prediction of the dependent variable from a given independent variable and vice versa. It also shows how a unit increase or decrease in the independent variable will affect the dependent variable.

Table 4. 19: **Regression Coefficients[a]**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant) (α)	5.898	.072		8.192	0.000
	Agency characteristics(X_1)	.500	.103	.434	4.854	0.000
	Operating hours (X_2)	1.561	.199	.000	7.844	0.000
	Banking products (X_3)	1.777	.187	.000	9.503	0.000
	Bank's location (X_4)	.500	.055	.548	9.091	0.000

a. Dependent Variable: Use of Agency banking services (Y)

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

Use of agency banking = 5.898 + 0.5 (Agency characteristics) + 1.561 (Operating hours) + 1.777(Banking products) + 0.5(Bank's location).

The regression analysis above shows how a unit changes in independent variable changes the dependent variable. All the betas' (β) are positive indicating that every unit increase in the independent variables would cause a positive change in the dependent variable with the following quantities; Agency characteristics (0.5), Operating hours (1.561), Banking products (1.777) and banks location (0.5). It can also be observed that all the independent variables predicted the use of urgency banking significantly. This model shows that the banking products have the highest contribution to the regression equation compared to the other variables.

The study revealed that majority of the respondents strongly agreed with the statement; most of our clients are highly affected by transport means, many people use banking agencies because of location of the main banks in relation to their homes and enterprises, Using bank agencies saves on transport cost, and bank agencies operates where there are no banks. Also there is a strong positive correlation between agency location and Agency banking use. The findings from scheduled interviews for customers and bank managers also revealed that Banks location also influenced the choice between use of agency banking and visiting the bank. These results agrees with Ivantury and Timothy(2006), who argued that Agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), longer opening hours, shorter queues than in branches ,more accessible to the poor who might feel intimidated in branches compared to agency. James Mwangi, the owner of a Kibera Kenya Commercial bank's agent outlet said that the system has been a big boost to the community, especially for whom mobility out of the slum can prove challenging. James findings too concur with these findings, thus agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch (Ibid).

4.8 Interview schedule report

This study used both the questionnaires and the interview schedule to collect data. The questionnaires were used to collect data from the agents while the interview schedules were used to collect information from the bank managers and customers. The bank managers indicated that the banking characteristics influenced the banking agency to a great extent. One of them said, "the *banking characteristics of agents determines* the *existence of the agency banking".* He further said, "These *characteristics includes, float, experience, and agents character".* The same sentiments were echoed by a customer who said that, "we *prefer going to agents who have enough money and are welcoming".*

It was also revealed that most of the customers preferred the urgency banking because of the products offered and the proximity which ended up cutting their transport costs. One customer said, "*Agency banking gives us all what we need and we also save on time and transport cost to concentrate on other things*". The managers also urged that the opening hours for the agencies seem to have improved the banking services in the County. One of the managers said, " *since the introduction of agency banking, customers who were un able to access banking services are now opening accounts and making transactions at their convenience*" As a result the clients have continued to increase over the years.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the finding, conclusions from the findings, recommendations and suggestions for further research.

5.2 Summary of the findings

The purpose for this study was to investigate factors influencing the use of agency banking by the Residents of Kitui County, Kenya. The objectives of the study were; to determine the influence of the agent characteristics on the of use of Agency banking, to determine the influence of the banking products offered by agency banking on the use of agency banking, to assess the extent to which opening hours influence the use of agency banking and to establish the influence of banks' location on the use of agency banking by the Residents of Kitui County.

From objective one, the study revealed that majority (43%) of respondents strongly agreed with the statements that; the amount of float of an agency determines the number of clients, the experience of the agent attracts customers, clients need a welcoming agency and that the speed of the agent in serving customers influences the number of clients visiting the agency. There was also a strong positive correlation between agent characteristics and agency banking use ($r = 0.80$, $p = 0.04$) meaning there is a significant relationship between the agency bank characteristics and the use of agency banking ($p<0.05$).

From objective two, the study also established that majority of the respondents 35% strongly agreed with the statements; bank agencies helps most people in the rural areas in saving, most people prefer using banking agencies in their transactions, services offered via Bank agencies should be diversified and banking agencies do not provide all the necessary services. Also there is there is a strong positive correlation between banking products and use of agency banking ($r = 0.78$, $p = 0.02$) implying there is a significant relationship between the agency bank products and the use of agency banking ($p<0.05$).

From objective three, the study established that there is a strong positive correlation between long opening hours and use of agency banking ($r = 0.86$, $p = 0.03$) and that there is a significant relationship between the agency bank opening hours and the use of agency banking ($p<0.005$). This means that the opening hours influenced the use of agency banking by the Residents of Kitui County.

From objective four, the study revealed that majority 35% of the respondents strongly agreed with the statement; most of our clients are highly affected by transport means, many people use banking agencies because of location of the main banks in relation to their homes and enterprises, Using bank agencies saves on transport cost, and bank agencies operate more where there are no banks. Also there is a strong positive correlation between agency location and Agency banking use ($r = 0.82$, $p = 0.000$).

5.3 Conclusions

This study concludes that agent characteristics; banking products offered at agencies, agency opening hours and bank location have a significant influence the use of agency banking by the Residents of Kitui County. There is a significant relationship between the agent characteristics and the use of agency banking. This means that clients need a welcoming agency and that the speed of the agent in service delivery to the customers influences the number of clients visiting the agency.

The Agency banking like any other bank offered banking products which include; Cash withdrawal, cash deposit, bill settlement, and balance enquiry. However there are limitations to the products offered because services such as credit facilities, bankers' cheques, ATM card collection, Cheque book collection, foreign exchange, cash transfer to other banks are excluded at bank agencies.

Adoption of agency banking has enhanced access to banking services for longer hours thus increasing innovation in the delivery of financial products and services throughout the day and week. This helps those who are busy throughout the day and have only a short time to access the banking services.

Agency banking provide the opportunity for customers to access financial products and services at a location nearest to the them, thus breaking down certain barriers to financial inclusion such as cost and accessibility.

5.5 Recommendations from the findings

i. This study found that; the agent characteristics which includes; banking products offered at agencies, agency opening hours and bank location have a significant influence the use of agency banking by the Residents of Kitui County, therefore the study recommends that:-

ii. Banks such as Equity bank, Co-operative Bank, National Bank of Kenya and Post Bank should do more advertising to sensitize the public on the availability and the services offered by Agency banking.

iii. Banks such as Equity bank, Co-operative Bank, National Bank of Kenya and Post Bank should diversify the products they offer to their customers at agent points to include the credit facilities.

iv. The Agencies should have adequate money so that those who want to withdraw large amounts would not be forced to go to main banks.

v. The policy makers should have a guideline for the opening and closing time for the agency banking so as to enhance service delivery and uniformity among similar bank agents.

5.6 Suggestions for further research

This study investigated the factors influencing the use of agency banking by Residents of Kitui County, Kenya. Another study may be carried out to study the factors influencing the opening of banking agencies in rural areas, factors influencing profitability of banking agencies or even a study carried out to determine the factors influencing the product offering at the bank agencies.

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APPENDICES

APPENDIX I: TRANSMITTAL LETTER

UNIVERSITY OF NAIROBI

P.O. BOX 30197,

NAIROBI.

19TH FEB, 2015.

Dear Sir/Madam

RE: REQUEST TO FILL QUESTIONNAIRES

I am a post graduate student in the University of Nairobi pursuing a Master Degree in Project Planning and Management course. I am carrying out a research on the “Factors influencing the use of agency banking by the Residents of Kitui County, Kenya. I do request your assistance in filling the questionnaires for this study. Please take time to answer the questions as truthfully as possible. The result of this study will be used for academic purposes only. Any information collected treated with utmost confidentiality.

Thanks in advance.

Yours Faithfully,

WINNIE LOMOSI

L50/72236/2014

APPENDIX II: QUESTIONNAIRES FOR THE AGENTS

This questionnaire is intended to collect information on the factors influencing the use of agency banking by the Residents of Kitui County. The information given will be used for the purpose of this research only. The identity of the respondent will remain confidential. Use a tick (√) to select your option among the multiple choices given. Do not write your name or the name of the banking institution on this questionnaire.

Section A: DEMOGRAPHIC INFORMATION

1. Indicate your Gender

Male ☐ Fema☐

1. Tick your age bracket

Below 30 years ☐ 30-40 ☐ above 40 ☐

2. What is your highest academic level?

Primary ☐ Secondary ☐ Certificate ☐ Diploma ☐ ☐

Degree

3. How long have you been an agent?

Less than two years ☐ 3 - 4 ☐ More than four years ☐

SECTION B: Agency characteristics

4. Do you think the agent characteristics influence the use of Agency banking by the Residents of Kitui Cou☐y? Yes ☐ No
5. Indicate the extent to which you agree with the statements given in the Table below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree.

	Factor	**1**	**2**	**3**	**4**	**5**
1	The amount of float of an agency determines the number of clients					
2	The experience of the agent attracts customers					

3	Clients need a welcoming agency					
4	The speed of the agent in serving customers influences the number of clients visiting the agency.					

SECTION C: Banking products

6. What banking products do you offer in your agency?..............................
7. Indicate the extent to which you agree with the statements given in the Table below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree

	Factor	**1**	**2**	**3**	**4**	**5**
1	Bank agencies helps most people in the rural areas in saving					
2	Most people prefer using banking agencies in their transactions.					
3	Services offered via Bank agencies should be increased					
4	Banking agencies do not provide all the necessary services.					

SECTION D: Agency opening hours

8. Do you think banking agency opening hours influences the use of Agency banking?

(a) Yes ☐

(b) No ☐

9. What time do you open your agency…………………

10. What time do you close……………………………….

11. How many days in a week do you open?

(a) Seven days ☐

(b) Six days ☐

(c) Five days ☐

SECTION E: Banks' location

12. Do you think banks' location influences extent of use of Agency banking by the residents of Kitui County?

(a) Yes ☐

(b) No ☐

13. Indicate the extent to which you agree with the statements given in the Table below on a scale of 1-5 where: 1-Strongly Agree; 2- Agree; 3-Not sure; 4-Disagree 5-Strongly disagree

	Factor	**1**	**2**	**3**	**4**	**5**
1	Most of our clients are highly affected by transport means.					
2	Many people use banking agencies because of location to their homes and enterprises.					
3	Using bank agencies saves on transport cost					
4	Bank agencies operates where there are no banks					

SECTION F: AGENCY USE

1. How many clients do you have?___________________________

2. How would you rate the frequency of agency use by clients?

    (a) High frequency ☐

    (b) Moderate ☐

    (c) Low ☐

3. What would you attribute to the frequency of use of agency banking bt the residents of Kitui County.

    (a) Agency characteristics ☐

    (b) Banking products ☐

    (c) Opening hours ☐

    (d) Agency location ☐

4. What types of services do clients prefer most?

    (a) Deposits

    (b) Withdrawals

    (c) Utility bill payments

    (d) Others(specify)_____________________________________

APPENDIX III: INTERVIEW SCHEDULES FOR BANK MANAGERS

1. How long have you served as a bank manager?
2. How long have you served in the current branch?
3. Does your bank operate agency banking?
4. How many agents does your branch have?
5. Do you think agency characteristics influences extent of agency use?
6. If yes, how?
7. What banking characteristics affect extent of agency use?
8. What products does your agency offer?
9. Which is the most popular product?
10. What other products do the customers wish be offered through the bank agents?
11. How does opening hours affect agency use?
12. What time do you think agencies should open and close?
13. In last two years, has there been an increase in the number of clients being served at agents?
14. What can you say about banks location and use of agency banking?

APPENDIX IV: INTERVIEW SCHEDULES FOR CUSTOMERS

1. How long have you been using agency banking?
2. How many accounts do you operate with agency banking?
3. Does your bank operate agency banking?
4. Do you think agency characteristics influences extent of use of agency banking?
5. If yes, how?
6. What products are offered at the agencies where you transact?
7. Which is the most popular product?
8. What other products do you as a customer wish be offered through the bank agents?
9. How does opening hours affect agency use?
10. What time do you think agencies should open and close?
11. What can you say about banks' location and use of agency banking?

Thank you for your cooperation

APPENDIX V: RESEARCH PERMIT

THIS IS TO CERTIFY THAT:
MISS. WINNE AFANDI LOMOSI
of UNIVERSITY OF NAIROBI, 0-50100
kakamega,has been permitted to
conduct research in *Kitui County*

on the topic: ***FACTORS INFLUENCING THE USE OF AGENCY BANKING BY THE PEOPLE OF KITUI COUNTY,KENYA.***

for the period ending:
6th November,2015

Permit No : NACOSTI/P/15/1407/6013
Date Of Issue : 23rd June,2015
Fee Recieved :Ksh 1,000

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. **You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit**
2. **Government Officers will not be interviewed without prior appointment.**
3. **No questionnaire will be used unless it has been approved.**
4. **Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.**
5. **You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.**
6. **The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice**

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 5485

CONDITIONS: see back page

APPENDIX VI: AUTHORIZATION LETTER

NACOSTI

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471, 2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date: **23rd June, 2015**

NACOSTI/P/15/1407/6013

Winne Afandi Lomosi
University of Nairobi
P.O Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***"Factors influencing the use of agency banking by the people of Kitui County, Kenya,"*** I am pleased to inform you that you have been authorized to undertake research in **Kitui County** for a period ending **6th November, 2015.**

You are advised to report to **the County Commissioner and the County Director of Education, Kitui County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

SHussein
SAID HUSSEIN
FOR: DIRECTOR-GENERAL/CEO

Copy to

The County Commissioner
Kitui County.

The County Director of Education
Kitui County.

National Commission for Science, Technology and Innovation is ISO 9001: 2008 Certified