FACTORS INFLUENCING IMPLEMENTATION OF AGENCY BANKING PROGRAMME IN KENYA: A CASE OF EQUITY BANK KENYA NAIROBI COUNTY

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university or for any other award.

Signature…………………………… Date……………………………

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This research project has been submitted for examination with my approval as University supervisor.

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DEDICATION

I dedicate this research project to my mother Susan Kariuki and brothers Ken Kariuki and Alex Kariuki for their love, support, patience and encouragement.

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
CGAP	Consultative Group to Assist the Poor
Co-op	Co-operative Bank
GPRS	General Packet Radio Service
ICT	Information and communications technology
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
KES	Kenya Shillings
POS	Point of Sale
RBV	Resource-Based View
HRM	Human Resource Management

ABSTRACT

The purpose of the study was to investigate factors influencing implementation of agency banking programme in Kenya. Specifically the study sought to determine the extent to which security concerns, availability of resources, infrastructural support and regulatory framework influence implementation of agency banking programme in Kenya. The study employed descriptive research design. The population of the study was 38 management and operational staff in the Agency department in Equity bank Branches as well as 1037 Equity agents that were contracted by Equity bank within Nairobi County. All the 38 branches were considered for the study where one staff member participated in the study. Stratified random sampling technique was used to select the sample size for Equity bank agents who participated in the study whereby a 10% sample was taken; this gave a sample size of 103 agent staff. The study collected primary data through use of both a questionnaire and an interview guide. The questionnaire was filled by the Equity bank agents while the interviews were conducted on the bank staff who included the management and operational staff in the Agency departments. A pilot test was conducted to prior to the actual data collection whereby the instruments were tested for reliability and validity. Reliability test was carried out though Cronbach alpha test while validity of the questionnaire was established by the research and supervisor reviewing the items. The objectives of pre-testing was to allow for modification of various questions in order to rephrase, clarify and or clear up any shortcomings in the questionnaires before administering them to the actual respondents. During data collection, the study first sought permission from the management of Equity bank to collect data from the bank employees. An introductory letter for data collection was also obtained from University and further appointments made with the respective respondents. The researcher used trained research assistants for data collection process. The data was analyzed through descriptive and inferential statistics. The descriptive statistics included frequency distribution tables and measures of central tendency, measures of variability and measures of relative frequencies among others. The inferential statistics entailed a regression analysis. The analysis was aided by the SPSS software. The analyzed data was presented in tables and charts. The study found out that security, availability of resources, infrastructural support and regulatory framework affected implementation of agency banking programme to a great extent. The study concludes that there is a positive and significant relationship between implementation of agency banking and the factors: availability of resources, infrastructural support and regulatory framework. The study recommends that the bank should adopt a more improved risk based approach to the supervision and regulation of agency banking. To ensure a successful implementation of agency banking programme, there is need for improved support by all players, that is; the CBK as the regulator, the banks and the licensing bodies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Around the world, banks, mobile network operators, governments, and international organizations are promoting agent banking or engaging a third party to carry out transactions on behalf of a bank as an important tool for extending financial services to remote and poor areas. While agents have helped bring financial access points closer to millions of clients around the world, little is known about the quantitative impact of branchless banking on financial inclusion (Sanford, 2013). An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu 2002). In an environment with a continuously emerging wave of information driven economy, the banking industry has inevitably found itself unable to resist technological indulgence. The need for convenient ways of accessing financial resources beyond the conventional norms has seen the recurrent expansion and modernization of banking patterns.

Agent banking has become particularly widespread over the past decade. Branchless banking encompasses the provision of a broad range of financial services outside conventional bank branches and often involves agent banking technologies. Developing countries including Kenya are increasingly embracing branchless banking as a means of delivering banking services to the many unreached people especially low –income households. Difficulties in accessing financial main drivers include long distance to banking channels and relatively high costs of accessing financial services (Lozano and Mandrile, 2009).

A National FinAccess Survey done in 2009 revealed that 32.7 per cent of Kenya's bankable population is totally excluded from both formal and informal financial services, and it is this category that is increasingly being targeted for financial inclusion. On the other hand, a survey by Financial Sector Deepening Kenya (2010), reported that only 19% of adult Kenyans reported having access to a formal, regulated financial institution while over a third (38%) indicated no access to even the most rudimentary form of informal financial service. This leaves a percentage of more than 80% outside the bracket of the reach of mainstream banking.

According to CGAP (2010), the usage of semiformal financial services in Kenya including m-banking platforms such as M-PESA increased from 8.1% in 2006 to 17.9% in 2009, while the proportion of the population with access to only informal financial services decreased from 35% to 26.8%. The share of the population excluded from any financial service decreased from 38.3% to 32.7%, these statistics suggest strong gains in financial inclusion coinciding with the introduction of M-PESA but no evidence to show the extent to which agency banking have enhanced financial deepening and outreach to the unbanked population and more so to the low income earners.

Kenyan commercial banks like other organizations are open systems operating in a turbulent environment; their continued survival depends on the ability to secure a "fit" with the environment. There have been significant developments in the structure of the Kenyan financial services sector in the past one decade. Until the early 1990s functional demarcation was predominant with many regulatory restrictions imposed and poor economic growth, one main consequence being limited competition both domestically and internationally. As a result there was heavy reliance on traditional branch-based delivery mechanisms in retail banking, with little pressure for change (CBK, 2008).

In Kenya, the Banking Sector is composed of the Central Bank of Kenya, as the regulatory authority and the regulated; Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. As at December 2012 Kenya had 43 licensed commercial banks and 1 mortgage finance company. Out of the 45 institutions, 31 are locally owned and 13 are foreign owned (www.centralbank.go.ke/). Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (CBK, 2011).

An amendment to the Banking Act through the Finance Act 2009 has enabled the banking industry embrace agent banking. Agent banking permits banks to contract third parties to provide certain banking services on their behalf without having to put up brick and mortar. This model will therefore increase financial inclusion to the majority of the unbanked Kenyans at an affordable cost to both the bank and the customer (CBK, 2010). For the period ended March 31, 2010, the Kenyan Banking sector registered an increase in asset base largely supported by growth in deposits. Assets increased by 20.8 percent to stand at Ksh.1.5 trillion while deposits increased by 22.8 percent to Ksh.1.1 trillion. This growth is by and large attributed to the growth of the banking sector.

As at end of year 2014, there were 16 commercial banks that had contracted 26,750 active agents up from 13 banks in 2013, out of a possible 44 banks in Kenya. For example; Co-operative bank has Co-op Kwa Jirani; KCB has KCB Mtaani; Equity bank has Equity agent; Family bank of Kenya also distributes its financial products through its PesaPap agents while recently I&M bank introduced Karibu agents. Other banks that have taken up the agency model include Consolidated Bank, Chase, DTB, and Ecobank.

1.1.1 Equity Bank

Equity Bank Limited is incorporated, registered under the Kenyan Companies Act Cap 486 and domiciled in Kenya. The Bank is licensed under the Kenya Banking Act (Chapter 488), and continues to offer retail banking, microfinance and related services. The Bank has subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania. Its shares are listed on the Nairobi Securities Exchange and Uganda Securities Exchange (Equity Bank, 2015).

In 2010, Equity Bank started its agency banking business model using mobile phone and point-of-sale (POS) technology. Equity Bank is the bank with the largest agents in the country. Diversification of the bank's portfolio along with strategic global and local partnerships, regional expansion and increase in the number of agents have driven growth and deepen the bank's penetration into the market. By the end of March 2013, over 2.3 million customers had registered for agency banking. Around 80,000 transactions are made each day at 6,892 agent outlets. These numbers were purely savings related transactions – deposits and withdrawals (Venkata & Mishra, 2013).

Equity bank half year results release on July 29th, 2013 reported that Agency Banking focused on several strategic initiatives on merchant business, payment processing and facilitation. This initiative increased deposits growth by 20% to Kes. 187 Billion as at 30th June 2013 from Kes. 155.7 Billion as at 30th June 2012. The rapid growth in deposits helped to grow the liquid assets to 41% of the balance sheet with Government Securities increasing by 39%. The number of customers grew to 8.3 million maintaining Equity as the largest bank by customer base in Africa. The convenience of Agency Banking has led to the channel taking the lead as the most preferred delivery channel overtaking conventional channels like ATMs and branch over-the-counter transactions (Equity Report, 2013). As at March (2014), Equity Bank reported that its 11,099 agents were carrying out more transactions in a day than its tellers and ATMs. The bank's agents conducted three million transactions in March compared to 2.8 million by ATMs and 2.3 million by branches (CBK Report, 2014).

Equity Bank offers basic savings services through agency banking and in future it plans to offer a wide range of products and services to customers without their having to visit a branch. This will enable the customers to access fast, convenient and affordable banking. In these agency platforms, the agents have face-to-face interaction with customers and perform cash-in cash-out functions, much as a branch-based teller would take deposits and process withdrawals (Venkata & Mishra, 2013).

1.2 Statement of the Problem

The financial access survey of 2009 shows that 32% of Kenya's bankable population remains totally out of the orbit of financial services and many more being served by the informal financial system (CBK, 2009). By the end of June 2012, there were 10 commercial banks that had contracted 12,054 active agents facilitating over 18.7m transactions valued at KES93.1bn, according to CBK's 2nd quarter banking sector performance development report (CBK, 2012). By December 2013, there were 13 commercial banks offering banking services through third parties (agents) and with a total of 19,649 agents. However, according to these figures, banking agents still have not caught up with the growth of mobile banking. For instance in its 2012 report, Safaricom company reported having 39,400 M-PESA agent outlets which shows a very firm grip on the market by the mobile banking companies.

According to a survey on agency banking carried out by Kenya Bankers Association (KBA) for its Centre for Research on Financial Markets and Policy, 40.9% of agents operations are cash deposits while 36% are withdrawals, with major banking services lacking. The survey also revealed that customers are asking for additional services not on offer, including ATM cards, recommendations for a loan given the closer interaction, loan processing and advice on various bank products on offer. This shows that the banks have not achieved the objective of Agency Model which is to offer the full range of banking services to the customers without their having to visit a branch. There is also evidence that mobile money services such as M-Pesa have had tremendously spread and growth while agency banking is lagging behind with only 14 banks out of the total 44 have enrolled agency banking model, their spread and coverage is also poor as compared to that of mobile banking platforms. This begs the question, why is agency banking having poor spread and coverage? What are challenges affecting the implementation of agency banking model in Kenya?

A review of the studies done shows, Lozano and Mandrile (2009) conducted a study on agency banking in Colombia. Locally, Mwangi (2012) conducted a study on agent banking as a diversification strategy by commercial banks in Kenya while Musau (2013) did a study on utilization of agency banking on performance of selected banks in Nairobi County, Kenya. Most of the other studies related to this area have concentrated on mobile banking for instance Ndung'u (2011) conducted a study on M-PESA as a Mobile Money platform for the "unbanked". It is therefore evident that there is very little done on agency banking and no notable have been conducted to try and unearth the challenges or factors hindering the growth and implementation of agency banking. It is against this background therefore that this study sought to investigate factors affecting implementation of agency banking in Kenya.

1.3 Purpose of the Study

The purpose of the study was to investigate the factors influencing implementation of agency banking programme in Kenya.

1.4 Objectives of the Study

The study was guided by the following objectives.

i. To determine the extent to which security concerns influence implementation of agency banking programme in Kenya.

ii. To establish the extent to which availability of resources influence implementation of agency banking programme in Kenya.

iii. To determine the extent to which infrastructural support influence implementation of agency banking programme in Kenya.

iv. To establish how the existing regulatory framework influence implementation of agency banking programme in Kenya.

1.5 Research Questions

The study sought to answer the following research questions.

i. To what extent do security concerns influence implementation of agency banking programme in Kenya?
ii. To what extent does availability of resources influence implementation of agency banking programme in Kenya?
iii. To what extent does infrastructural support by the respective banks influence implementation of agency banking programme in Kenya?
iv. How does the existing regulatory framework influence implementation of agency banking programme in Kenya?

1.6 Significance of the Study

The study would be of value to the following:

The study findings were expected to be of great significant to the banking industry to make appropriate decisions towards and adopt strategies that would ensure the spread and use of formal financial services through implementation of agency banking.

The study would be of importance to the policy makers and government agencies such as CBK, as it is expected to paint a picture on the challenges banks are facing in implementation of agency. Through this understand, the CBK could make appropriate policies and regulations to guide the banking industry, fasten and facilitate growth of the agency banking.

Future researchers and scholars may use the study findings as a source of reference for further research on the same area. Scholars would therefore add value to the body of knowledge and act as a basis for future research.

1.7 Delimitations of the Study

The study was delimited to Equity bank. The researcher utilized his time well to ensure that she meets all the objectives set on time. He also ensured that she explained the purpose of the study to the respondents to gain their confidence and trust to the respondents willing to participate in the study. The study target population was the management and operational staff in the Agency department in Equity bank Branches within Nairobi County. The study also targeted the Equity agents that are contracted by Equity bank within Nairobi County. The study collected primary data through both a questionnaire and an interview guide.

1.8 Limitations of the Study

Limitations are conditions beyond the control of the researcher that may place restriction on the conclusions of the study and their applications to other situations (Best and Kahn, 1993). One key limitation that might have been encountered in this study include failure of some of the respondents to truly answer to the questions as required or answer them to suit their needs.

In some other cases the management of the banks may not be willing to give all the expected information or may limit the information given. However, the researcher explained to the respondents the purpose of the study, ensured the respondents confidentiality and get permission to the relevant authorities so as to give the respondents confidence to be part of the study.

1.9 Assumptions of the study

The assumption made was that there would be peace during the entire process of the study and the respondents of the study would answer the questions accurately, honestly and truthfully to the best of their knowledge. The research tool would be adequate in collecting data for the desired objectives of the research.

1.10 Definition of Significant Terms used in the Study

Agent - means an entity that has been contracted by an institution and approved by the Central Bank to provide the services of the institution on behalf of the institution in the manner specified in this Guideline.

Agent banking - is an arrangement by which licensed institutions (banks and microfinance banks) engage third parties to offer specified banking services behalf of the on the institution. In Kenya, agent banking is governed by the Prudential Guideline on Agent Banking and Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions issued by the Central Bank.

Availability of Resources - This entails the capacity, knowledge, or skill that suits or makes someone eligible to handle certain assignments, in this case to handle agency banking.

Implementation of Agency Banking – effective carrying out of agency banking functions such as account opening and cash transactions.

Infrastructural Support - these are a range of infrastructures to assist the agency banking programme to run efficiently; they are essential to the everyday mechanics of agency banking and are integral to effective service delivery. These include network, information systems.

Regulatory Framework - is a form of government regulations which subject banks to certain requirements, restrictions and guidelines. This regulatory structure creates transparency between banking institutions and the individuals and corporations with whom they conduct business, among other things.

Security Concerns – These are threats and privacy concerns that may arise or anticipated to arise as a result of engaging in agency banking transactions.

1.11 Organization of the Study

In this first chapter, it entails the introduction and the background information on the agency banking model and its establishment. It starts with an overview of the subject matter from a global perspective, narrowing down to the Kenya context. This chapter also covers the statement of the problem which forms the launch pad from which the research sprouts. This generates the purpose of the study, the objectives as well as the researcher questions. The chapter further presents the significance of the study; limitations anticipated in the study and the assumptions of the study.

Chapter two covers literature review which includes the theoretical review where various theories guiding the study are discussed. The study also discusses historical studies in the global, regional and local perspective, relevant to the field under study and further presents the conceptual framework which shows the relationship between variables in the study. The study ends with a section on the identified research gaps and the summary of the chapter.

Chapter three details the methodology to be used to achieve the objective of the study. This section highlights the research design, target population, sample design, data collection instruments and procedures, validity and reliability of the study and lastly the proposed analysis technique and presentation of the data.

Chapter four entails the findings of the study based on the study objectives. This will include the data analysis, interpretation and the presentation of the findings.

Chapter five is a synthesis of the entire project and contains the summary of findings; conclusions arrived at, policy recommendations and recommendations for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter first represented the empirical review of what other researchers have done in similar studies, then theoretical review of the study; in this section, theories guiding the study are discussed. It further looked at the conceptual review whereby, relationships between variables that are used in this study and presents a conceptual framework. It finally gave a summary of the entire chapter.

2.2 The Concept of Agency Banking in Kenya

Agent banking took effect in Kenya in May 2010 after the publication of prudential guidelines by the Central Bank of Kenya. Agent banking has been practiced in a number of countries such as Brazil, Columba, Pakistan, South Africa and Indonesia. A study by CGAP (2011), also reported that there is a major reluctance by banks in Kenya to embrace agent banking as only 30% of the financial institutions have implemented agent banking.

According to the Central Bank of Kenya (CBK's) annual supervision report (2012) there has been a tremendous growth in agency. This was evidence as more bank customers were making cash deposits, withdrawals and other transactions through agents, fundamentally changing their mode of interaction with banks. The report also revealed that the banking sector was eager to embrace agent banking as an alternative service delivery channel and that agent banking presented opportunity for rapid expansion at minimal cost by leveraging on the existing investment of the retail agents through information and communication technology. As at December 2012, there were 10 commercial banks that had contracted 16,333 active agents facilitating over 38 million transactions valued at Sh195.8 billion. As at the end of last year 2012, Sh152 billion worth of transactions were done at agents' outlets, up from Sh46.6 billion in 2011 — a three-and-a-half times increase. The number of transactions grew by nearly the same rate (3.4 times) over the time standing at 30 million from 2011's 8.76 million.

According to CBK annual supervision report (2014), the number of transactions conducted by bank agents rose by 38 per cent. Central Bank of Kenya revealed that 35,789 agents had been contracted by 16 commercial banks and conducted 58.2 million transactions in 2014 compared to 42 million deals in 2013. The value of the transactions was Sh320 billion up from Sh236.2 billion in 2013. The banks had since the introduction of agent banking, contracted 35,789 active agents facilitating over 139.0 million transactions valued at Sh752.5 billion by December 2014 which is a notable increase.

Co-operative Bank, Equity and KCB Group are the largely retail bankers that have adopted the model most aggressively. As at the end of March 2013, KCB had 5,035 agents while Equity Bank had 6,892 agents (CBK Report, 2013). Agents are saving commercial banks the cost of putting up a fully-fledged branch, the staffing costs related to that bank and other ancillary costs such as cleaning and maintaining an Internet connection.

2.3 Security Concerns and Implementation of Agency Banking Programme

According to Collins (2010), one shortcoming of most of today's branchless banking system is lack of adequate security. Evidence from the four country studies suggests that technical failures (e.g., equipment malfunctioning and other errors occurring during a transaction) are not a major issue in branchless banking. For instance research on consumer experience in Brazil shows that less than 5 percent of users have made a mistake and paid the wrong bill at an agent, sent money to the wrong account, or noticed that a payment or a deposit was never processed or received (Collins 2010). In Kenya less than 0.1 percent of M-pesa clients reported having lost money when sending money it to someone else, and most customers say they believe their money is safe with M-pesa (Collins 2010). Other key players like G-cash in the Philippines rely directly on GSM‟s default security services to protect client information but these services are known to offer very weak security guarantees; in, it is argued that vulnerabilities in GSM's security suite could be used to deliver subvert G-cash transactions (Collins, 2010).

Vutsengwa and Ngugi (2013) conducted a study to assess the challenges facing commercial banks in sustainability of agency banking in Kenya. The population of this study comprised of all the agency banking outlets in Nairobi. The study concludes that security and privacy implications for all stakeholders should be a prerequisite for sanctioning by the government. The study recommends that banks should embrace a good information security system for convenience, confidentiality, integrity, and availability, by doing this the value of the information will be sustained.

Chiteli (2013) conducted a study on Agent Banking Operations in Commercial Banks in Kisumu City. The study established that commercial banks encounter challenges in agent banking operations; these include operational risk and reputational risks among others. For instance some retail agents have underperformed and some have been robbed, and as a result the bank's public image has suffered. The operational risk mentioned has caused reputational risk, and liquidity shortfalls in the retail agent's cash drawer. Use of retail agents has increased the risk that customers are unable to understand their rights and press claims when aggrieved. Customers are protected against fraud by laws and regulations. But it is not clear to customers how they are protected against fraud when they use retail agents to conduct financial transactions. For instance it may not be obvious whether the customer should hold the bank or its retail agents liable if they suffer a loss. The bank also bears the risk when customers are improperly identified and that they use the retail agent to launder money. The agents also encounters liquidity risk challenges in providing banking services and the challenges whereby retail agents especially those that are relatively small, unsophisticated, and remote, may not have enough cash to meet customers' requests for withdrawals and may lack experience in the more complex liquidity management required for offering financial services..

Musau (2013) conducted an analysis of the utilization of agency banking on performance of selected banks in Nairobi County. The study showed that liquidity availability in the outlets and security affected banks performance in addition to leading to frustrated customers. The study therefore recommends that, banks should give more attention to security and find better ways of vetting their agents to ensure that large cash transaction are handled effectively. A study by Atandi (2013) on the challenges of agent banking experiences in Kenya also identified that issues of insecurity and fear of robbery were affecting agency banking operations.

2.4 Availability of Resources and Implementation of Agency Banking Programme

Banks identify outlets, which in the view meets the set criteria for delivering the services. The agents are then required to have suitable human resources to manage the agency services as per agreements. According to Allen *et al.* (2004) cost may act as entry barriers since new entrants require huge capital to offer services. Further some factors such as technology which may be developed through innovation and some may even be resources developed by a firm. Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions.

According to Sanford (2013), one of the biggest challenges in rolling out banking agencies is the establishment and the effectiveness of the agent network. Agents are the touch- points where the subscribers of the service can get money into and out of the system. (Agents are often also referred to as cash-in and cash-out points). In instances where a subscriber arrives at an agent with the need to withdraw a large amount it does happen that the agent do not have enough cash to satisfy the cash-out request. This leads to frustration and is one of the reasons why take-up of these systems are slower than what is expected. This problem is referred to as the agent liquidity problem- how to ensure that the agent has sufficient cash available to satisfy the need of the system (Central Bank of Brazil, 2007).

Atandi (2013) conducted a study on the challenges of agent banking experiences in Kenya. The study adopted Census Survey design where a total of 40 Equity bank agents in Pokot County were targeted. The researcher also identified some factors that were hindering the well-functioning of agent banking this included lack of resources such as mobile network services and float, and lack of capital. The study concluded that these challenges were hindering the rural people of Kenya from benefiting from agent banking.

Ndungu and Njeru (2014) conducted a study to asses some of the factors that contribute to the adoption of agency banking in Kenya. The study results indicate that System availability contributes to service reliability. High reliability increases the adoption of agency banking. They revealed that high quality of agents increases the adoption of agency banking while poor quality agents inhibit the adoption of agency banking. Moreover, 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.

2.5 Infrastructural Support and Implementation of Agency Banking Programme

Agency banking success will largely depend on system availability and its reliability. A study by CGAP (2010) in Brazil shows that many agents complain about downtime – POS frozen by bank once cash limit reached, pending deposit of cash at branch, but often with a lag until POS is unfrozen; poor GPRS connection for some agents where occasional maintenance is required. If unable to transact for 2 days, monthly profit margin may cut by more than half from 10.6% ($124/mo) to 2.6% ($27/mo). CGAP (2011) also assets that one of the top concerns among agents is network availability. By its very nature the ICT phenomenon is relatively new in the developing world. Available data, suggest that the majority of developing countries in sub-Saharan Africa are lagging behind in the information revolution. The system being the only connectivity between the customer and the bank will determine whether a customer request is frustrated or satisfied at the agent location. System safety and malfunction can frustrate the agent reconciliation or even facilitate fraud against the bank, customer or the agent.

A study by Kinyanjui (2011) finds that agency outlets use the bank server in order to execute clients' transactions. In Kenya, banks partners with mobile telephone service providers and use a secure network to access the server to complete any given transactions. Juma (2011) in a study on Turning Cellphones into 24-Hour Tellers in Kenya found that Safaricom, the single most successful mobile money deployment, invested heavily in developing the M-PESA agent infrastructure with a focus on a consistent customer experience.

Mwangi (2010) conducted a study to evaluate use of agent banking as a diversification strategy among the Kenyan banks in Kenya. The data was collected from the banks using a semi structured questionnaire. The analysis was done using descriptive statistics. The study found that agent banking was highly useful as a diversifying strategy among banks as banks used agent banks to expand geographical coverage and promote their products and services because they save time and they are efficient. The study recommended that agent banking be implemented in all the commercial banks in Kenya and agent channels made accessible to customers and also infrastructure be improved.

A study by Musau (2013) on the utilization of agency banking on selected banks in Nairobi County also found out that agency infrastructure cost was a major influence to banks performance. The study also found out that some of the agency regulations included board of directors and executive management, accountability and quality control.

2.6. Regulatory Framework and Implementation of Agency Banking Programme

Agents play a critical role in acquiring new customers, enabling them to transact, and keeping them satisfied. They verify the identity of customers, both when clients sign up and at subsequent transactions. Agent banking took effect in Kenya in May 2010 after the publication of prudential guidelines by the Central Bank of Kenya. A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Prior to the 2010 Guidelines on Agent Banking, the Banking Act did not address the issue of banks using agents to deliver financial services, so the CBK approved such arrangements on a case-by-case basis. Other relevant regulations which have enabled branchless banking are a 2008 regulation allowing microfinance deposit-taking institutions to use agents; a 2009 amendment to the Banking Act that allows banks to appoint agents to take deposits and perform other activities; and a 2009 AML/CFT bill which applies to both bank and non-bank institutions.

Vutsengwa and Ngugi (2013) investigated the factors affecting growth of agency banking in Kenya banking industry. The study found out that the respondents strongly agreed that regulation helped guard the entire system against which may help clients view the service as safe and trustworthy. The study further recommended that agency banks should set regulatory measures to stimulate the creation of more secure computer systems.

2.7 Theoretical Framework

This section discusses the theories that are attributed by other researchers, authors and scholars and are relevant to the study. This study will be guided by the resource-based view, agency theory and bank-led theory.

2.7.1 Bank-Led Theory

In the most basic version of the bank-led theory, a licensed financial institution (typically a bank) delivers financial services through a retail agent. The bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction (Lyman, Ivatury & Staschen, 2006). The bank is the ultimate provider of financial services and is the institution in which customers maintain accounts. Retail agents have face-to-face interaction with customers and perform cash in/ cash-out functions, much as a branch-based teller would take deposits and process withdrawals (Owens, 2006). In some countries, retail agents also handle all account opening procedures and, in some cases, even identify and service loan customers. Virtually any outlet that handles cash and is located near customers could potentially serve as a retail agent. Whatever the arrangement, each retail agent is outfitted to communicate electronically with the bank for which it is working. The equipment may be a mobile phone or an electronic point-of-sale (POS) terminal that reads cards.

The bank-led model offers a distinct alternative to conventional branch-based banking in that customers conduct financial transactions at a whole range of retail agents instead of at bank branches or through bank employees (Lyman, Ivatury & Staschen, 2006). This model promises the potential to substantially increasing the financial services outreach by using a different delivery channel (retailers/ mobile phones), a different trade partner (chain store) having experience and a target market distinct from traditional banks, and may be significantly cheaper than the bank based alternatives. In this model customer account relationship rests with the bank (Tomašková, 2010).

Agents related risks arise from substantial outsourcing of customer contact to retail agents. From a typical banking regulators perspective, entrusting retail customer contact to the retail agents would seem riskier than if these functions were left in the hands of bank tellers in a conventional bank branch. These retail agents may operate in hard-to reach or dangerous areas and they lack physical security systems and specially trained personnel. The lack of expert training which may be particularly a problem if retail agents' functions range beyond the cash-in cash-out transactions of typical bank tellers to include a role in credit decisions (Lyman *et al.,* 2006).

This study will majorly be informed by the bank led theory. The bank led theory is related to the study as it focus on how financial institutions like banks deliver their financial services through a retail agent, where the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction.

2.7.2 Resource-Based View (RBV)

This theory was developed by Birge Wenefeldt in 1984. It is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization. The RBV's underlying premise is that a firm differs in fundamental ways because each firm possesses a "unique" bundle of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage (Pearce & Robinson, 2007).

Barney (1991) suggests that firms succeed through developing resources that provide unique sources of competitive advantage. These may include physical, financial, human, and organizational resources; and confer competitive advantages based on their value, rareness, uniqueness (inimitability), and embeddedness in the organization fabric. Learned *et al*., (1969) noted that the capability of an organization is its demonstrated and potential ability to accomplish against the opposition of circumstance or competition, whatever it sets out to do.

Every organization has actual and potential strengths and weaknesses; it is important to try to determine what they are and to distinguish one from the other. Thus what a firm can do is not just a function of the opportunities it confronts; it also depends on what resources the organization can master. Learned et al. proposed that the real key to a company's success or even to its future development lies in its ability to find or create 'a competence that is truly distinctive. According to Su *et al*., (2009) capabilities can't be bought; rather, they must be built; with internal capabilities and combined with external partnerships.

The resource-based view theory is critical in this study as it helps us understand how a firm adopts agency banking based on resources that are permanently tied to a firm. The combination of resources (both tangible and intangible) over time allows for the evolution of specific capabilities, which enhances successful implementation of the agency banking programme.

2.7.3. Agency Theory

Agency theory is a concept that explains why behavior or decisions vary when exhibited by different members of a group. Agency theory was developed by Jesen and Meckling (1976). Specifically, it describes the relationship between one party called the principal that delegates work to another party called the agent. It explains differences in their behavior or decisions by noting that the two parties often have different goals and, may have different attitudes toward risk. The interests of the directors and managers of a given firm may differ from those of the owners of the firm, and the concepts of agency and principal can be used to explain the origins of those conflicts (Murtishaw & Sathaye, 2006).

The theory essentially acknowledges that different parties involved in a given situation with the same given goal will have different motivations, and that these different motivations can manifest in divergent ways (Andresson & Emander, 2005). It states that there will always be partial goal conflict among parties, efficiency is inseparable from effectiveness, and information will always be somewhat asymmetric between principal and agent. The theory has been successfully applied to myriad disciplines including accounting, economics, politics, finance, marketing, and sociology (Nikkinen & Sahlström, 2004).

Agency theory is critical in guiding this study by analyzing the relationships between a business firm's owners and its managers who, under law, are agents for the owners. In agency banking, the retailers are agents and the bank is the principal.

2.8 Conceptual Framework

The conceptual framework illustrates the interaction between independent variables and the dependent variable in the study (Mugenda & Mugenda 2003). In this study, the independent variables are; security concerns, availability of resources, infrastructural support and regulatory framework while the dependent variable is implementation of agency banking. The conceptual frame work is presented in the Figure 2.1.

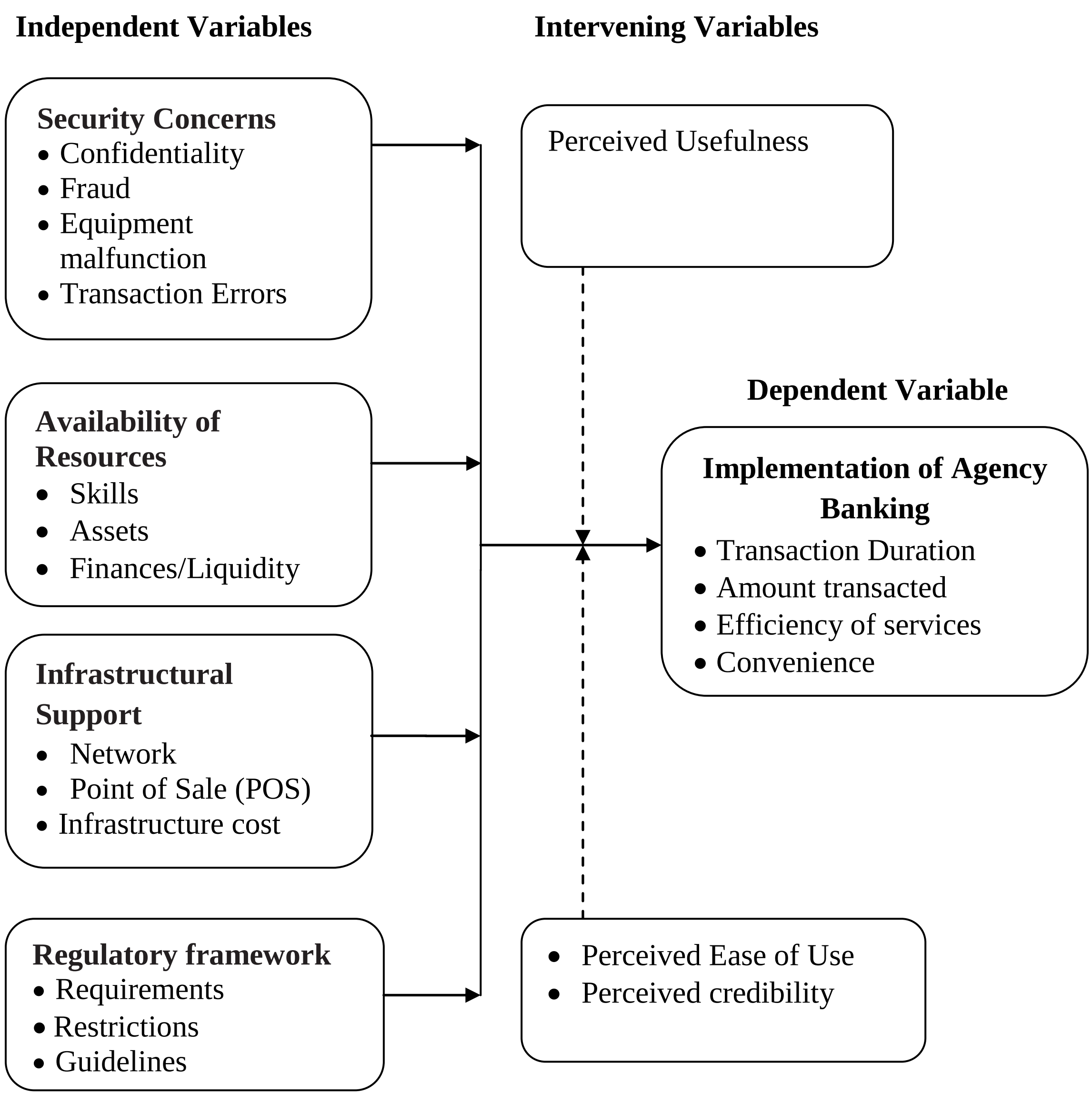

Figure 1.1: Conceptual Framework

Table 2.1: Summary of Literature Review Matrix

Variable	Author (year)	Title of the Study	Findings	Knowledge Gaps
Implementation of Agency banking	CGAP (2011)	Agent management toolkit: Building a Viable Network of Branchless Banking Agents.	Reluctance by banks in Kenya to embrace agent banking.	The study did not show the extent to which agency banking have enhanced financial deepening/outreach.
Security concerns	Collins (2010)	Consumer Experience in Agency Banking.	Technical failures (e.g., equipment malfunctioning and other errors occurring during a transaction) are not a major issue in branchless banking.	The study was conducted in four countries among them Kenya but in Kenya, the study only concentrated on M-pesa and not agency banking.
Security concerns and Regulatory framework	Vutsengwa and Ngugi (2013)	An assessment of the challenges facing commercial banks in sustainability of agency banking in Kenya: A case of commercial banks	Security and privacy implications for all stakeholders should be a prerequisite for sanctioning by the government. Regulations helps guard the entire system against which may help clients view the service as safe and trustworthy.	This study concentrated on the challenges facing commercial banks in sustainability of agency banking in Kenya. Moreover, at the time of the study, the number of banks with agency banking was few as compared to now where people have increasingly embraced agency banking.
Security concerns	Chiteli (2013)	Agent Banking Operations as a Competitive Strategy of	Banks encounter challenges in agent banking	This study concentrated on Agent Banking Operations in

		Commercial Banks in Kisumu City.	operations; these include operational risk and reputational risks among others	Commercial Banks in Kisumu City. Hence it may be difficult to generalize the findings in other regions such as Nairobi County.
Infrastructural support and Regulatory framework	Musau (2013)	An Analysis of the Utilization of Agency Banking On Performance of Selected Banks in Nairobi County, Kenya.	Agency infrastructure cost was a major influence to banks performance. Agency regulations has a major influence to implementation	This study looked at the utilization of agency banking on performance of selected banks in Nairobi County. However, the study did not establish the factors influencing implementation of agency banking programme in Kenya.
Security concerns	Atandi (2013)	Challenges of agent banking experiences in Kenya.	Identified that issues of insecurity and fear of robbery were affecting agency banking operations.	The study looked at the challenges of agent banking experiences in Pokot County. The findings may be difficult to generalize in Nairobi County where agency banking is more embraced and there are more support infrastructure.
Resources	Sanford (2013).	Do agents improve financial inclusion? Evidence from a national survey in Brazil.	Indentified agent network as one of the biggest challenges in rolling out banking agencies	The study looked at the challenges of rolling out banking agencies and not in Implementation. Moreover, this study was conducted in Brazil and it may not be developed in

				Kenyan context.
Resources	Ndungu and Njeru (2014)	Assessment of Factors Influencing Adoption of Agency Banking in Kenya: The Case of Kajiado North Sub County.	Found that high quality of agents increases the adoption of agency banking while poor quality agents inhibit the adoption of agency banking	The study looked at factors influencing adoption of agency banking in Kenya other than the factors influencing implementation which this study seeks to establish.
Infrastructural support	Kinyanjui (2011)	The Impact of Mobile Communication Technologies in Medium and Small Enterprises: Case Study of Nairobi City	Agency outlets use the bank server in order to execute clients' transactions, banks partners with mobile telephone service providers and use a secure network	This study looked at the impact of mobile communication technologies in enhancing transactions in agency banking; but did not necessarily look at the factors influencing implementation of agency banking.
Implementation of Agency banking	Mwangi (2010)	Agent banking as a diversification strategy by commercial banks in Kenya.	Agent banking is highly useful as a diversifying strategy among banks, expand geographical coverage and promote their products and services because they save time and they are efficient	The study evaluated use of agent banking as a diversification strategy among the Kenyan banks in Kenya. It recommended that agent banking be implemented in all the commercial banks in Kenya. The current study advances from these recommendations by determining the factors influencing implementation of agency banking programme in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter looked at the research methods that were employed in the study in order to achieve the objectives of the study. This chapter covered the research design to be adopted, population of study, sample, data collection, data analysis and ethical considerations.

3.2 Research Design

According to Kombo and Tromp (2006), research design can be thought of as the structure of research. It is the 'glue' that holds all of the elements in a research together. The research design employed in this research was descriptive in nature. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

The descriptive design is deemed fit since enables the researcher to summarize and organize data in an effective and meaningful way and help in answering who, what, and how questions (Babbie, 2002). The research design helped portray accurate current facts through collection of both qualitative and quantitative data through the use of a questionnaire hence the design is deemed fit for this study as it would helped portray the situation in regard to the factors affecting implementation of agency banking in Kenya.

3.3 Target Population

A population is defined as the total collection of elements about which we wish to make some inferences. It is the subject such as a person, an organization, customer database, or the amount of quantitative data on which the measurement is being taken (Cooper and Schindler, 2003). The study target population was the management and operational staff in the Agency department in Equity bank Branches within Nairobi County as well as Equity agents that were contracted by Equity bank within Nairobi County. There were approximately 38 Equity branches and 1037 active agents in Nairobi County as shown in Table 3.1.

Table 3.1: Target Population

Area	No. of Branches	No. of agents
Nairobi North	11	333
Nairobi East	10	214
Nairobi West	8	228
Nairobi South	9	262
Total	**38**	**1037**

Source: Human Resource Management (HRM) Equity Bank 2015

3.4 Sample Size and Sampling Procedure

This section looked at the sampling design adopted to choose the respondents to participate in the study and the sample size for the study.

3.4.1 Sample Size

Kothari (2004) defines a sample as a small proportion of an entire population; a selection from the population. The respondents were both the management and the general employees in the agency banking departments as well as the project managers in the respective banks. All the 38 branches were considered for the study; therefore, a census study was adopted. According to Cooper and Schindler (2007) a census is feasible when the population is small and necessary when the elements are quite different from each other. When the population is small and variable, any sample drawn may not be representative of the population from which it is drawn. Therefore, a census study was deemed appropriate for study since the sampling frame is small. The sample size for the study was therefore be all the 38 Equity bank branches and 103 Equity agents within Nairobi County. The questionnaires were given to one staff in each agency that was chosen for the study; in total 103 agent staff. The interviews were conducted on the relationship managers handling agency banking in the branches selected for the study; in total 38 Equity bank staff.

3.4.2 Sampling Procedure

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study. It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected Mugenda & Mugenda (1999). Stratified random sampling technique was used to select the sample size for Equity bank agents who participated in the study. According to Deming (1990) stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aimed to reduce standard error by providing some control over variance.

The study grouped the population into four strata, based on regions in Nairobi County. From each stratum the study took a 10% sample. This was guided by Mugenda and Mugenda (2003), who asserts that a good population sample is between 10% and 30% of the entire population.

Table 3.2 Sample Size

Area	No. of agents	Sampling	Sample Size
Nairobi North	333	10%	33
Nairobi East	214	10%	21
Nairobi West	228	10%	23
Nairobi South	262	10%	26
Total	**1037**	**10%**	**103**

3.5 Research Instruments

The study collected primary data through use of both a questionnaire and an interview guide. The questionnaire had both closed and open-ended questions. The closed ended questions enabled the researcher to collect quantitative data while open-ended questions enabled the researcher to collect qualitative data. The questionnaire was divided into six sections. Section one was concerned with the general information about respondents, section two gathered information on security concerns; section three gathered information on availability of resources; section four collected data on infrastructural support; section five was on regulatory framework while section six collected information on the overall implementation of agency banking.

The questionnaire was filled by the Equity bank agents while the interviews were carried out on the bank staff who included the management and operational staff in the Agency departments. Questionnaires were considered for the study since they provided a high degree of data standardization, they are relatively quick to collect information from people in a non-threatening way and they are cheap to administer. Interview guides were considered appropriate to collect data from the bank staff since they enhance an in-depth gathering of information from individuals considered to have adverse knowledge on the area under study.

3.5.1 Pilot Testing

Pilot test was conducted to detect any inconsistencies in design and instrumentation and to provide alternative data for selection of a probability sample (Mugenda, 2008). A pre-test of the questionnaire was conducted prior to the actual data collection. The developed questionnaire was checked for its validity and reliability through pilot testing. The research subjected the questionnaire to 10 respondents from to participate in the pilot study. According to Mugenda & Mugenda (1999) a successful pilot study would use 1% to 10% of the actual sample size. The ten respondents were not included in the actual study.

The objectives of pre-testing were to allow for modification of various questions in order to rephrase, clarify and or clear up any shortcomings in the questionnaires before administering them to the actual respondents. Once the amendments are done, a retest of the research instrument was done on the same respondents to establish whether the instrument was valid and reliable.

3.5.2. Reliability of the Instrument

Mugenda and Mugenda (2003) defined reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability test measures the internal consistency of the questionnaire. An instrument is reliable when it can measure a variable accurately and obtain the same results over a period of time. A pre-test helped the researcher identify the most likely source of errors and hence modify the questionnaire before the actual study. Reliability test also helped establish the internal consistency of the instrument.

Reliability was calculated with the help of Statistical Package for Social Sciences (SPSS). Cronbach's alpha was used whereby a co-efficient of above 0.7 implied that the instruments were sufficiently reliable for the measurement (Cronbach & Shavelson, 2004). It helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measured what is intended.

3.5.3 Validity of the Instrument

Validity involve how accurately the data obtained represents the variables of the study while reliability refers to the degree to which a research instrument yields consistent results or data after repeated trials to establish its reliability (Saunders et .al., 2003). The term validity indicates the degree to which an instrument measures the construct under investigation. For a data collection instrument to be considered valid, the content selected and included must be relevant to the need or gap established (Saunders et. al., 2003).

Validity of the questionnaire was established by the research and supervisor reviewing the items. Before the actual study, the instruments were discussed with supervisors. The feedback from the supervisors and the experts helped in modifying the instruments. This ensured that the questionnaire collected reliable information and also improved the response rate.

3.6 Data Collection Methods

The study first sought permission from the management of Equity bank to collect data from the bank employees. An introductory letter for data collection was also obtained from University and further appointments made with the respective respondents. The researcher used assistants to distribute the questionnaires to be completed and conduct interviews to the selected respondents. The research assistants were trained and taken through the questionnaire before the data collection process. A deadline was set by which the completed questionnaires were to be ready. Upon completion, the research assistants collected the questionnaires and ensured high completion rate and return of the completed questionnaires.

3.7 Data Analysis Techniques

The filled in questionnaires containing data collected from the field were cleaned for errors before they were entered into a database, where it was later analyzed using Statistical Package for Social Sciences (SPSS). The data was analyzed through descriptive and inferential statistics. The descriptive statistical tool helped the researcher to describe the data. These included frequency distribution tables and measures of central tendency (the mean), measures of variability (standard deviation) and measures of relative frequencies among others. The analysis was aided by the SPSS software, which was expected to produce various statistics, which were then applied to analyze the quantitative data in terms of percentages, frequency distribution, means and standard deviations. The analyzed data was presented in tables and charts. The inferential statistics entailed a regression analysis; the regression model took the following form:

$$Y = \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \epsilon$$

Where: Y = Implementation of agency banking

χ_1 = Security Concerns

χ_2 = Resources

χ_3 = Infrastructural support

χ_4 = Regulatory framework

β_{0} = the constant

$\beta_{1\text{-}n}$ = the regression coefficient or change included in Y by each χ,

ϵ = error term

3.8 Ethical Consideration

This study was based on the following ethical considerations. First, the research participants were allowed to make an informed decision on whether to participate in the research process or not. This implies that the researcher did not force or coerce the sample into participating in the research process. Secondly, the responses from the respondents were considered anonymous responses. This implied that the respondents were not required to give their names on the questionnaires they fill. This prevented victimization of any employee participating in the research study. Thirdly, the researcher sought permission from all the research stakeholders – the university and targeted commercial banks before undertaking the process of data collection. Fourthly, the researcher communicated the findings of the research study to all its research stakeholders.

3.9 Operationalization Table of Variables

Table 3.3: Operationalization Table of Variables

Objective	Variable	Indicator	Measurement	Scales of Measure	Research Approach	Tools of Analysis	Types of Analysis
Dependent Variable							
Investigate factors influencing implementation of agency banking programme in Kenya.	Implementation of Agency banking	• Transaction Duration. • The amount transacted. • Efficiency of services. • Convenience.	• Speed of services offered. • Extent of quality of services • Customer satisfaction levels • Convenience levels	• Nominal • Ordinal	• Quantitative	• Mean, Standard deviation	• Descriptive
Independent Variables							
To determine the extent to which security concerns influence implementation of agency banking programme in	Security Concerns	• Confidentiality of clients information • Transaction errors • Technical failures and	• Extent of confidentiality of customers information • Extent of transaction errors • Extent of	• Nominal • Ordinal	• Quantitative • Qualitative	• Frequency Percentages • Mean, Standard deviation	• Descriptive

Kenya.		malfunctions • Lost Amounts	Technical failures and malfunctions • No. of robberies reported • Lost clients/Amounts				
To establish the extent to which availability of resources influence implementation of agency banking programme in Kenya	Availability of Resources	• Liquidity • Capital • Mobile connectivity • Literacy on agent banking	• Availability of liquidity • Availability of capital. • The number of network downtimes in a week. • Skills available	•Nominal •Ordinal	• Quantitative • Qualitative	• Frequency Percentages • Mean, Standard deviation	Descrptive
To determine the extent to which infrastructural support influence implementation of agency banking	Infrastructural support	• Information systems • Support facilities • Network	• Reliability of Information systems • Availability and Reliability of support facilities/ network	•Nominal •Ordinal	• Quantitative • Qualitative	• Frequency Percentages • Mean, Standard deviation	Descriptive

programme in Kenya.							
To establish whether the existing regulatory framework influence implementation of agency banking programme in Kenya.	Regulatory framework	• Laid down procedures	• The requirements • The restrictions • The guidelines	•Nominal •Ordinal	• Quantitative • Qualitative	• Frequency Percentages • Mean, Standard deviation	Descriptive

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study based on the study objectives. The study sought to determine the extent to which security concerns, availability of resources, infrastructural support and the existing regulatory framework influence implementation of agency banking programme in Kenya. It is from these findings that the study will form conclusions on the study objectives.

4.2. Questionnaire Return Rate

Out of a total of sample size of 103 Equity agents and 38 Agency banking staff of Equity bank, 84 and 21 responses respectively were successfully received which translates to a response rate of 81.6% and 55.3% respectively. The response was appropriate for the study to continue and provide reliable results as guided by Mugenda and Mugenda (2003) who revealed that a fifty percent response rate is adequate, sixty percent good and above seventy percent rated very well.

4.3 General Information of the Respondents

The section presents the general information of the respondents who took part in the study. The researcher found it important to establish the general information of the respondents since it forms the basis under which the study can rightfully access the relevant information. The general information gathered includes the gender of the respondents, age, highest level of education reached, and the duration the respondent had operated an Equity Agent.

4.3.1 Distribution of Respondents by Gender

In this section the study sought to establish the gender of the Equity agent staff. The study was interested in establishing the gender of the respondents to ascertain whether the operation of Equity agency banking was limited to any gender. The results are presented in Table 4.1 below.

Table 4.1: Gender of the Respondents

Gender	Frequency	Percentage
Male	52	62%
Female	32	38%
Total	**84**	**100.0**

The study results presented in table 4.1 show that majority of the respondents 52 (62%) were male while 32 (38%) were female. This shows that the Equity agents were operated by both male and female though the male were the majority which implies that the operations Equity agency banking was not limited to any gender.

4.3.2. Distribution of Respondents by Level of Education

The respondents were asked to indicate their highest level of education reached. This was to establish whether level of education was a requirement or determinant for one to operate as an equity agent. The results are presented in Table 4.2.

Table 4.2: Level of Education

Level	Frequency	Percentage
O- Level	27	32.1%
Diploma	45	53.6%
Under- Graduate	9	10.7%
Post Graduate Degree	3	3.6%
Total	**84**	**100.0**

The study findings in Table of 4.2 shows that 45 (53.6%) of the respondents had reached diploma level while 27 (32.1%) reported they had reached O-level as their highest level of education. On the other hand, 9 (10.7%) of the respondents indicated that they had attained an undergraduate degree while 3 (3.6%) had a post graduate degree. The study results show that the respondents who operated the Equity agents across all levels of education though majority were highly educated with at least a diploma certificate and above. This implies that for one to operate an Equity agent, one should have attained some level of education.

4.3.3. Distribution of Respondents by Age

The respondents were asked to indicate their age. The study was interested in the age of the respondents so as to examine whether age as a determinant for one to operate as an Equity agent. The results are presented in Table 4.3.

Table 4.3: Age of the Respondents

Age (in Years)	Frequency	Percentage
18-25	18	21.4%
25-35	44	52.4%
36-45	20	23.8%
46-55	2	2.4%
Over 55	0	0%
Total	**84**	**100.0**

The findings presented in Table 4.3 show that majority of the agent staffs 44 (52.4%) were aged between 25-35 years of age while 20 (23.8%) indicated that they were aged between 36-45 years of age. On the other hand, 18 (21.4%) of the respondents reported that they between 18-25 years of age while 2 (2.4%) were aged between 46-55 years of age. From the majority of the respondents, it can be deduced that majority of the Equity agents operators were young, aged between 25-35 years.

4.3.4. Period of Operation as an Equity Agent

In this section, the study sought to establish the period that the respondents had been operating as Equity agents. The study found it important to indentify the period the agents had operated equity agency banking as it would determine the experience they posses on agency banking over time. The findings are presented in Table 4.4.

Table 4.4: Period of Operation

Duration	Frequency	Percentage
Less than one Year	6	7.1%
1-3 years	46	54.8%
Above 3 years	32	38.1%
Total	**84**	**100.0**

Results in Table 4.4 shows that majority of the respondents 46 (54.8%) had operated Equity agents for a period of 1-3 years while 32 (38.1%) indicated that they had operated as Equity agents for more than 3 years. Only 6 (7.1%) of the respondents had operated as Equity agents for less than one year. Bearing in mind that the Equity agent banking has been operational for 5 years since 2010, it can be deduced that that majority of the respondents had operated as equity agents for more than one year. This implies that there is high reliability of the information given as majority had been exposed to Equity agency banking operations for a significant period.

4.4. Security Concerns and Implementation of Agency Banking Programme

This section sought to address the first objective of the study which sought to determine the extent to which security concerns influence implementation of agency banking programme in Kenya. The study inquired from the respondents whether they were satisfied with security measure of the Equity agent programme, extent the clients feared losing confidentiality of their information, extent the agents experienced transaction errors, technical failures and malfunctions on the system, cases of robberies, and customers confidentiality concerns. The study further inquired the extent the highlighted security concerns influenced implementation of Equity agency banking programme.

4.4.1. Whether Equity Agents Experienced Security Concerns

The respondents were asked to indicate whether they had indentified or experienced any security threat or issues when operating Equity agent programme. The findings are presented in Table 4.5.

Table 4.5: Whether Equity Agents Experienced Security Concerns

Responses	Frequency	Percentage
Yes	68	81.0
No	16	19.0
Total	**84**	**100.0**

The study results shows that majority of the respondents 68 (81%) reported that they had indentified issues or experienced security threat when operating Equity agent programme. Only 16 (19%) of the respondents who indicated that they had not identified any security issues.

The respondents stated that they experienced threats from fraudsters and conmen who stole from ignorant agents staff. Some also indicated that they experienced fear of robbery which made them to maintain low liquidity levels in their business.

4.4.2. Influence of Security Concerns on Implementation of Agency Banking Programme

The respondents were asked to indicate their extent of agreement with the various statements on security concerns and implementation of agency banking programme in Kenya. A scale of 1-5 was used to interpret the results of the study. The scores “not at all” and “small extent” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq$ small extent ≤ 2.5). The scores of ‘moderate extent’ were equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq$ moderate extent ≤ 3.5). The score of “great extent” and “very great extent” represented were equivalent to 3.6 to 5.0 on the Likert scale which means that the agreement was to a great extent. The findings are presented in Table 4.6.

Table 4.6: Influence of Security Concerns

Statements	Not at all		Small extent		Moderate extent		Great extent		Very great extent		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
Are you satisfied with security measures of the Equity agent programme	-	-	-	-	13	15.5	36	42.9	35	41.7	4.34	1.259
Do clients fear losing confidentiality of their information	5	6.0	30	35.7	39	46.4	10	11.9			3.36	1.268
Agents experience increased transaction errors and technical failures and malfunctions on the system	2	2.4	25	29.8	31	36.9	16	19.0	10	11.9	3.37	1.170
Do you experience cases of robberies on your premises	3	3.6	27	32.1	33	39.3	15	17.9	6	7.1	3.26	1.067
Have you lost customers due to insecurity and confidentiality issues	3	3.6	14	16.7	34	40.5	25	29.8	8	9.5	3.46	1.211

The study results show that 36 (42.9%) the respondents agreed to a great extent while 35 (41.7%) agreed to a very great extent that they were satisfied with security measures of the Equity agent programme as shown by the mean score of 4.34. However, 34 (40.5%) of the respondents agreed to a moderate extent that they had lost customers due to insecurity and confidentiality issues as shown by a mean score of 3.46. While 39 (46.4%) agreed to a moderate extent, 30 (35.7%) agreed to a small extent that clients feared losing confidentiality of their information as shown by a mean score of 3.36. On the other hand, 36.9% of the respondents agreed to a moderate extent while 29.8% agreed to a small extent that they experienced increased transaction errors and technical failures and malfunctions on the system; this is also shown by a mean score of 3.37. The findings further shows that 33 (39.3%) agreed to a moderate extent while 27 (32.1%) agreed to a small extent that they experienced cases of robberies on their premises as also shown by a mean score of 3.26 on the likert scale.

Table 4.7: Extent Security Concerns Influence Implementation of Agency Banking Programme

Extent	Frequency	Percentage
Very great extent	12	14.3
Great extent	39	46.4
Moderate extent	28	33.3
Small extent	5	6.0
Not at all	0	0
Total	**84**	**100.0**

Results in Table 4.7 show that 46.4% of the respondents reported that security concerns influenced implementation of agency banking programme to a great extent while 14.3% of the respondents revealed that it influenced implementation to a very great extent. However, 33.3% of the respondents indicated that security concerns influenced implementation of agency banking programme to a moderate extent.

4.5. Availability of Resources and Implementation of Agency Banking Programme

This section sought to address the second objective of the study which sought to establish the extent to which availability of resources influence implementation of agency banking programme in Kenya.

4.5.1. Influence of Resources on Implementation of Agency Banking Programme

The respondents were asked to indicate their extent of agreement with statements on availability of resources and implementation of agency banking. The findings are presented in Table 4.8.

Table 4.8: Influence of Resources on Implementation of Agency Banking Programme

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
I have skills to carry out the equity agent activities	-	-	-	-	9	10.7	39	46.4	36	42.9	4.21	1.178
Do you experience liquidity problems as an Equity agent	-	-	5	6.0	12	14.3	37	44.0	30	35.7	4.11	1.358
Do you have adequate capital to efficiently operate the equity agent	-	-	14	16.7	37	44.0	25	29.8	8	9.5	3.06	1.229
I got adequate assets needed to operate the equity agent	-	-	-	-	15	17.9	42	50.0	27	32.1	3.94	1.205

The study findings show that the equity agents agreed they had skills to carry out the equity agent activities; and that they had adequate assets needed to operate the equity agent. The respondents further agreed that they experienced liquidity problems; this is shown by the mean scores 4.21, 3.94 and 4.11 respectively. The respondents were however neutral on whether they had adequate capital to efficiently operate the equity agent as shown by the mean score, 3.06 on the likert scale.

4.5.2. Extent Availability of Resources Influence Implementation of Agency Banking Programme

In this section, the study sought to establish the extent to which availability of resources influence implementation of agency banking programme in Equity bank.

Table 4.9: Extent Availability of Resources Influence Implementation of Agency Banking Programme

Extent	Frequency	Percentage
Very great extent	32	38.1
Great extent	43	51.2
Moderate extent	9	10.7
Small extent	0	0
Not at all	0	0
Total	**84**	**100.0**

The results shows that majority of the respondents (51.2%) revealed that availability of resources influenced implementation of agency banking programme to a great extent. This was further supported by 38.1% of the respondents who indicated that availability of resources influenced agency banking programme implementation to a very great extent.

4.6. Infrastructural Support and Implementation of Agency Banking Programme

This section of the study sought to establish the extent to which infrastructural support influence implementation of agency banking programme in Kenya. The study inquired from the respondents on the infrastructure they required to effectively conduct agency banking activities; whether they experience network failure; whether the information systems were reliable and whether the existing network facilitated quick transactions.

4.6.1. Infrastructure to Effectively Conduct Agency Banking Activities

The respondents were asked to indicate the infrastructure or devices they were required to have to effectively conduct agency banking activities. The respondents indicated that they required devices such as point-of-sale (POS) card reader, mobile phone network and premises to operate from.

4.6.2. Infrastructural Support in Implementation of Agency Banking Programme

In this section, the respondents were asked to indicate their level of agreement on the various aspects of infrastructural support in the implementation of Equity agency banking programme. A scale of 1-5 was used to interpret the results of the study where 1 was strongly disagree and 5 was strongly agree. The findings are presented in Table 4.10.

Table 4.10: Infrastructural Support in Implementation of Agency Banking Programme

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
Equity agents experience network failure	16	19.0	32	38.1	17	20.2	15	17.9	4	4.8	2.56	1.260
The equity information systems are reliable	-	-	-	-	19	22.6	36	42.9	29	34.5	4.24	0.857
The existing network facilitates quick transactions	-	-	-	-	14	16.7	38	45.2	32	38.1	4.38	0.806

The study results show that the respondents were neutral on whether the Equity agents experienced network failure as shown by the mean score 2.56. However, the respondents agreed that Equity bank information systems which facilitated Equity agency banking were reliable and that the existing network facilitated quick transactions; this is shown by the mean scores of 4.24 and 4.38 respectively on the likert scale.

4.6.3. Extent Infrastructural Support Influence Implementation of Agency Banking Programme

The study sought to establish the extent to which infrastructural support influence implementation of agency banking programme. The results are presented in Table 4.11.

Table 4.11: Extent Infrastructural Support Influence Implementation of Agency Banking Programme

Extent	Frequency	Percentage
Very great extent	24	28.6
Great extent	37	44.0
Moderate extent	19	22.6
Small extent	4	4.8
Not at all	0	0
Total	**84**	**100.0**

The study findings show that 44% reported that infrastructural support influenced implementation of agency banking programme to a great extent. This was further supported by 28.6% of the respondents who indicated that it influenced implementation of agency banking to a very great extent. However, 22.6% were of the opinion that the infrastructural support influenced implementation of agency banking programme to a moderate extent.

4.7. Regulatory Framework and Implementation of Agency Banking Programme

This section sought to establish whether the existing regulatory framework influenced implementation of agency banking programme in Kenya. The findings are presented below.

4.7.1. Existence of Requirements/Guidelines to Guide Agency Banking Activities

The respondents were asked to indicate whether there were any given requirements and guidelines by Equity Bank that the agents needed to adhere to when conducting the agency banking activities.

Table 4.12: Requirements and Guidelines to Guide Agency Banking Activities

Responses	Frequency	Percentage
Yes	84	100.0
No	0	0
Total	**84**	**100.0**

The study results show that all the respondents 84 (100%) reported that they had been issued by Equity Bank the requirements and guidelines that the agents needed to adhere to when carrying out the Equity Agency banking activities.

The respondents stated that they had been given guidelines on Know Your Customer (KYC) and that they were also guided by regulations laid down in the Prudential Guideline on Agent Banking on operations of third party agents. This was also supported by the banking staff who revealed that they had to adhere to the regulations and guidelines issued by the Central Bank of Kenya which highlights certain requirements, restrictions and guidelines. They indicated that the regulatory structure creates transparency between the individuals (customers); reduces the level of risks involved in conducting banking activities and enhances confidentiality and privacy of customers' data and information.

4.7.2. Requirements and Guidelines in Implementation of Agency Banking

The respondents were asked to indicate their level of agreement on the effect of agency banking requirements and guidelines in the implementation of Equity agency banking programme. A scale of 1-5 was used to interpret the results of the study where 1 was strongly disagree and 5 was strongly agree. The findings are presented in Table 4.13.

Table 4.13: Requirements and Guidelines in Implementation of Agency Banking

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
The requirements by the bank largely limit one from being an Equity agent	42	50.0	39	46.4	3	3.6	-	-	-	-	1.77	1.223
The restrictions from the bank and CBK hinder implementation of the Equity agent programme	35	41.7	41	48.8	8	9.5	-	-	-	-	1.87	1.176
The laid down guidelines by the bank enhance implementation of agency banking programme	-	-	2	2.4	7	8.3	41	48.8	34	40.5	4.00	1.125

Results in Table 4.13 show that the respondents disagreed that the requirements by the bank largely limit one from being an Equity agent. The respondents also disagreed that the restrictions from the bank and CBK hinder implementation of the Equity agent programme; this is shown by the mean scores of 1.77 and 1.87 respectively. However, the respondents agreed that the laid down guidelines by the bank enhance implementation of agency banking programme; this is shown by a mean score of 4.00 on the likert scale.

Table 4.14: Extent Regulatory Framework Influence Implementation of Agency Banking Programme

Extent	Frequency	Percentage
Very great extent	27	32.1
Great extent	29	34.5
Moderate extent	25	29.8
Small extent	3	3.6
Not at all	0	0
Total	**84**	**100.0**

Table 4.14 shows that 34.5% agreed to a great extent while 32.1% agreed to a very great extent that regulatory framework influence implementation of agency banking programme. However, 29.8% reported that regulatory framework influences implementation of agency banking to a moderate extent while 3.6% indicated to a small extent.

4.8. Implementation of the Equity Agent Programme

The respondents were asked to indicate their extent agreements with the aspects on implementation of the Equity agent programme. The study inquired on whether the amount transacted through agency banking was high, the time it took to transact on Equity agent platform and whether Equity banks agent enhanced efficient provision of bank services. The results are presented in Table 4.15.

Table 4.15: Implementation of the Equity Agent Programme

Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
The amount transacted through agency banking was high	-	-	4	4.8	9	10.7	37	44.0	34	40.5	4.34	1.264
It takes shorter time to transact on Equity agent platform	-	-	-	-	3	3.6	43	51.2	38	45.2	4.40	1.329
Equity agent enhances efficient provision of bank services	-	-	-	-	3	3.6	40	47.6	41	48.8	4.72	1.198

The findings presented in Table 4.15 shows that the respondents agreed that the amount transacted through agency banking was high; and that it takes shorter time to transact on Equity agent platform. The respondents also agreed that Equity agent enhances efficient provision of bank services as shown by the mean score of 4.34, 4.40 and 4.72 respectively.

4.9. Regression Analysis

A multivariate regression model was applied to determine the form of relationship between various factors/predictors and implementation of agency banking programme in Kenya. The predictors/factors are security concerns, availability of resources, infrastructural support and regulatory framework. The results are presented below.

Table 4.16: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.792 (a)	0.627	0.554	0.289

a Predictors: (Constant), Security concerns, availability of resources, infrastructural support and regulatory framework

The Adjusted R^2 is the coefficient of determination and tells us how the dependent variable varies with the independent variables. The results in Table 4.10 show an adjusted R^2 value of 0.554. This implies that there was a variation of 55.4% between implementation of agency banking programme in Kenya and the predictors (Security concerns, availability of resources, infrastructural support and regulatory framework). This is to mean that the factors (security concerns, availability of resources, infrastructural support and regulatory framework) explained 55.4% of implementation of agency banking programme in Kenya.

Table 4.17: ANOVA- Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.700	4	3.175	4.733	0.002(a)
	Residual	53.009	79	0.671		
	Total	65.709	83			

a Predictors: (Constant), Security concerns, availability of resources, infrastructural support and regulatory framework

b Dependent Variable: Implementation of agency banking programme

The study used ANOVA to establish the appropriateness of the regression model to give reliable results. An f-significance value of p=0.002 was established. This shows that the regression model has a 0.002 (0.2%) likelihood of giving a wrong prediction. Hence the regression model has a confidence level of above 95%.

Table 4.18: Coefficients Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.087	0.401		2.713	0.008
	Security concerns	-0.037	0.084	-0.049	-0.442	0.660
	Availability of resources	0.213	0.081	0.272	2.627	0.010
	Infrastructural support	0.242	0.106	0.246	2.289	0.025
	Regulatory framework	0.003	0.006	0.045	3.447	0.046

A Dependent Variable: Implementation of agency banking programme

Results in table 4.18 above shows that there is a negative relationship between implementation of agency banking programme and security concerns as shown by β = 0.037. This implies that a unit increase in security concerns would implementation of agency banking programme at Equity by a unit of 0.037 and vice versa. However, this relationship is not significant as shown by p = 0.660. On the other hand, the study found a positive and statistically significant relationship between availability of resources and implementation of agency banking programme as shown: β = 0.213, p=0.010<0.05. The study also found a positive and statistically significant relationship between infrastructural support and implementation of agency banking programme as shown: β = 0.242, p=0.025<0.05. Moreover, the study found a positive and statistically significant relationship between regulatory framework and implementation of agency banking programme as shown by β = 0.003 and p=0.046<0.05.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire thesis and contains summary of findings, conclusions arrived at, policy recommendations and suggestions for further studies.

5.2 Summary of Findings

The study findings shows that majority of the respondents (81%) reported that they had indentified issues or experienced security threat when operating Equity agent programme. They stated that they experienced threats from fraudsters and conmen who stole from ignorant agent staff. They also experienced robberies which made them to maintain low liquidity levels in their business. The study results show that the respondents 42.9% agreed to a great extent while 41.7% to a very great extent that they were satisfied with security measures of the Equity agent programme. When asked whether they experienced cases of robberies on their premises, 39.3% indicated to a moderate extent while 46.4% the respondents indicated that the clients feared losing confidentiality of their information to a moderate extent. On the other hand, 36.9% revealed that they experienced increased transaction errors and technical failures and malfunctions on the system to a moderate extent while 40.5% indicated that they had lost customers due to insecurity and confidentiality issues. On overall, majority of the respondents (60.7%) revealed that security concerns influenced implementation of agency banking programme to a great extent.

On the availability of resources, the respondents first indicated that to carry out agency banking services, they had to acquire equipments such as point-of-sale (POS) card reader, electronic Funds Transfer Point of Sale (EFTPOS) devices, and a mobile phone, as technologies to deliver its banking services. They also required liquidity. On the other hand, 46.4% of the equity agents agreed while 42.9% strongly agreed that they had skills to carry out the equity agent activities. On the other hand, 50.0% agreed while 32.1% strongly agreed that they had adequate assets needed to operate the equity agent. However the respondents were neutral on whether they had adequate capital to efficiently operate the equity agent. On overall, majority of the respondents (89.3%) reported that availability of resources influenced implementation of agency banking programme to a great extent.

On the infrastructure support, the study found out the equity agents had acquired the right devices to operate agency banking; this includes point-of-sale (POS) card reader, and mobile phone network. The results show that 42.9% of the respondents agreed while 34.5% strongly agreed that Equity bank information systems which facilitated Equity agency banking were reliable; 45.2% agreed while 38.1% strongly agreed that the existing network facilitated quick transactions. However, the respondents were neutral on whether the Equity agents experienced network failure. On overall, majority the respondents (72.6%) agreed that infrastructural support influenced implementation of agency banking programme to a great extent.

On regulatory framework and the implementation of agency banking programme, the respondents revealed that they had been issued by Equity Bank the requirements and guidelines that they needed to adhere to when carrying out the Equity Agency banking activities. The respondents stated that they had been given guidelines on KYC and that they were also guided by regulations laid down in the Prudential Guideline on Agent Banking on operations of third party agents. This was also supported by the banking staff who revealed that they had to adhere to the regulations and guidelines issued by the Central Bank of Kenya which highlights certain requirements, restrictions and guidelines.

On the other hand, 48.8% of the respondents agreed while 40.5% strongly agreed that the laid down guidelines by the bank enhance implementation of agency banking programme. However, the respondents disagreed that the requirements by the bank largely limit one from being an Equity agent. 48.8% of the respondents also agreed while 41.7% strongly disagreed that the restrictions from the bank and CBK hinder implementation of the Equity agent programme. Majority of the respondents (66.6%) revealed that regulatory framework influences implementation of agency banking programme to a great extent.

5.3. Discussions

On security concerns, the study found out that Equity bank agents indentified or experienced security threat when operating Equity agent programme. These include threats from fraudsters and conmen who stole from ignorant agent staff. They also experienced robberies which made them to maintain low liquidity levels in their business. It was found out that security concerns influenced implementation of agency banking programme to a great extent. These findings are in line with those of Collins (2010) who revealed that most of today's branchless banking systems are affected by lack of adequate security. They also corroborate with those of Atandi (2013) who identified that issues of insecurity and fear of robbery were affecting agency banking operations.

However, despite the security concerns, the agents were satisfied with security measures of the Equity agent programme. These findings agree with those of Vutsengwa and Ngugi (2013) who concluded that security and privacy should be a prerequisite and that banks should embrace a good information security system for convenience, confidentiality, integrity, and availability.

The study established that the agents needed equipments such as point-of-sale (POS) card reader, electronic Funds Transfer Point of Sale (EFTPOS) devices, and a mobile phone, as technologies to deliver its banking services in order to efficiently carry out agency banking activities. They also required liquidity. The study established that availability of resources influenced implementation of agency banking programme to a great extent. These findings concurs with those of Atandi (2013) who identified lack of resources such as mobile network services and float, and lack of capital as some of the factors that were hindering the well-functioning of agent banking. The findings are also in line with those of Ndungu and Njeru (2014) who indicated that system availability contributes to service reliability which increases the adoption of agency banking. They revealed that high quality of agents increases the adoption of agency banking while poor quality agents inhibit the adoption of agency banking.

On the infrastructure support, the equity agents revealed that they had acquired the right devices to operate agency banking; these include point-of-sale (POS) card reader, and mobile phone network. The respondents agreed that Equity bank information systems which facilitated Equity agency banking were reliable and that the existing network facilitated quick transactions. The findings corroborates with those of Kinyanjui (2011) who reveled that agency outlets use the bank server in order to execute clients' transactions. The banks have also partnered with mobile telephone service providers and use a secure network to access the server to complete any given transactions. On overall, the study found out that infrastructural support influenced implementation of agency banking programme to a great extent. These findings concurs with CGAP (2010) report findings which established that agency banking success will largely depend on system availability and its reliability.

On regulatory framework and the implementation of agency banking programme, the study established that the agents had been issued by Equity Bank the requirements and guidelines that they needed to adhere to when carrying out the Equity Agency banking activities. The agents had been given guidelines on KYC and that they were also guided by regulations laid down in the Prudential Guideline on Agent Banking on operations of third party agents. This was also supported by the banking staff who revealed that they had to adhere to the regulations and guidelines issued by the Central Bank of Kenya which highlights certain requirements, restrictions and guidelines. Regulatory framework was found to influence implementation of agency banking programme to a great extent. The above findings are in agreement with those of Musau (2013) who found out that agency regulations included accountability and quality control measures. On the other hand, Vutsengwa and Ngugi (2013) established that regulation helped guard the entire system against which may help clients view the service as safe and trustworthy. The study recommended that agency banks should set regulatory measures to stimulate the creation of more secure computer systems.

5.4 Conclusions

1. The study concludes that there a positive but insignificant relationship between security concerns and implementation of agency banking programme. Though the agents experienced security threats from fraudsters, conmen and robberies cases; this did not hinder much their activities. The bank had also put measures to protect the agents and customers from security threats by enhancing confidentiality and privacy of their information/data.

2. The study concludes that there is a positive and statistically significant relationship between availability of resources and implementation of agency banking. Both the equity agents and the bank agreed they had acquired the adequate resources to successfully carry out the equity agent activities. The resources included the skills and assets needed to efficiently operate the agency banking.

3. The infrastructural support also influenced implementation of agency banking to a great extent. Equity bank and equity agents had also acquired the right infrastructure; this includes devices such as point-of-sale (POS) card reader, mobile phone network and information systems which were reliable and which facilitated quick transactions hence successful implementation of agency banking programme by the bank.

4. The bank had also put in place requirements, restrictions and guidelines to guide implementation of agency banking as also guided by relevant laws and regulations by CBK for instance the Prudential Guideline on Agent Banking on operations of third party agents. The regulations created transparency; reduced the level of risks involved in conducting banking activities and enhanced confidentiality and privacy of

customers' data and information hence successful implementation of the agency banking programme.

5.5 Recommendations of the Study

The study established that cash availability (liquidity) and security were most critical factors in implementation of Equity bank agency banking programme. It is therefore recommended that the bank should adopt a risk based approach to the supervision and regulation of agency banking. Enough security measures should be put in place so as to give customers more confidence to transact through agents.

The study recommends that the bank should allow agents to be more financially inclusive than just offering the cash transfer services, agents should be able to other services same as what is offered in the banking halls. This however should be coupled with increased training and financial literacy programmes so as to equip the agents lack the necessary skills and knowledge to comfortably handle their finances and run such banking services.

Equity agency banking had enhanced efficient provision of bank services to the customers. Agency therefore banking increases financial inclusion to the majority of the unbanked Kenyans. The study therefore recommends that agency banking programme should be highly supported and encouraged by all players, that is; the CBK- in making laws and regulations that enhance effective implementation of agency banking; the banks- embracing agency banking model and laying down structures to ensure successful implementation of agency banking; government, and licensing bodies especially local authorities; so as to reduce the high compliance costs in bureaucracy in registration.

5.6 Suggestions for Further Research

This study investigated the factors influencing implementation of agency banking programme in Kenya, with a specific focus on Equity Bank agency banking programme. However, there were 16 commercial banks that had adopted agency banking out of the total 43 licensed commercial banks. The researcher therefore recommends that a replica study be conducted

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APPENDICES

Appendix I: Introduction Letter

Rachel Wambui Kariuki

P.O BOX -00100,

Nairobi.

To whom it my concern,

Dear Sir/Madam,

Re: Letter of Consent to Participate in the Research

I am a postgraduate student at the University of Nairobi pursuing a Masters of Arts degree in Project Planning and Management. I am currently undertaking a research on the factors affecting implementation of agency banking programme in Kenya.

I am pleased to inform you that you have been selected to participate in the study. I therefore request you to provide information through the provided questionnaire. Kindly answer all the items in the questionnaire provided. The information that you will give will be treated with utmost confidence and data provided will be used for academic purposes only.

Thank you in advance

Yours faithfully,

Rachel Wambui Kariuki

REGISTRATION NUMBER : L50\65904\2013

Appendix II: Questionnaire for the Equity Bank Agents

This questionnaire seeks to collect data from the Equity Agents in regard to the factors affecting implementation of agency banking programme in Kenya. Tick appropriately or write down your answer in the space provided. Your cooperation and feedback is valued and highly appreciated.

Section A: General Information

1. Kindly indicate your gender

   Male ( ) Female ( )

2. Kindly indicate your highest completed level of education

   O- Level ( ) College Level ( ) under- graduate ( )

   Post Graduate Degree ( )

3. Kindly indicate your age bracket:

   18-25years ( ) 25-35 years ( ) 36-45years ( )

   46-55years ( ) Over 56 years ( )

4. For how long have you been an Equity Agent?

   a) Less than 1 Year [ ] b) 1-3 Years [ ] c) Above 3 Years [ ]

Section B: Security Concerns

5. Are there any security concerns that you have indentified or experienced when operating Equity agent programme?

   Yes ( ) No ( )

b). If yes, which ones (specify)……………………………………………………………….

………………………………………………………………………………………………

6. To what extent are you satisfied with security measure of the Equity agent programme?

   Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

   Very great extent [ ]

7. To what extent do clients fears losing confidentiality of their information?

   Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

   Very great extent [ ]

8. To what extent do agents experience increased transaction errors and technical failures and malfunctions on the system

   Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

   Very great extent [ ]

9. To what extent do you experience cases of robberies on your premises?

   Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

   Very great extent [ ]

10. To what extent have you lost customers due to insecurity and confidentiality issues?

    Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

    Very great extent [ ]

11. On overall, to what extent do security concerns affect implementation of agency banking programme?

    Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

    Very great extent [ ]

Section C: Availability of Resources

12. Do you have the right skills to carry out the equity agent activities

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

13. Do you experience liquidity problems as an Equity agent?

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

14. Do you have adequate capital to efficiently operate the equity agent?

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

15. Do you have adequate assets needed to operate the equity agent?

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

16. On overall, to what extent do availability of resources affect implementation of agency banking programme?

Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

Very great extent [ ]

Section D: Infrastructural Support

17. What infrastructure or devices were you required to have to effectively conduct agency banking activities?...

…………………………………………………………………………………………

18. Equity agents experience network failure (Show level of agreement)

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

19. The equity information systems are reliable (Show level of agreement)

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree [ ]

20. The existing network facilitates quick transactions (Show level of agreement)

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree

21. On overall, to what extent do infrastructural support affect implementation of agency banking programme?

Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

Very great extent [ ]

Section E: Regulatory Framework

22. Are you given requirements and guidelines by Equity Bank that you to need adhere when conducting the agency banking activities?

Yes ( ) No ( )

b). If yes, what do they entail………………………………………………………………….

………………………………………………………………………………………………

23. The requirements by the bank largely limit one from being an Equity agent

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree

24. The restrictions from the bank and CBK hinder implementation of the Equity agent programme?

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree

25. The laid down guidelines by the bank enhance implementation of agency banking programme?

Strongly disagree [ ] Disagree [ ] Neutral [ ]

Agree [ ] Strongly agree

26. On overall, to what extent do regulatory framework affect implementation of agency banking programme?

Not at all [ ] Small extent [ ] Moderate extent [ ] Great extent [ ]

Very great extent [ ]

Section F: Implementation of the Equity agent Programme

27. To what extent do you agree with the following statements on implementation of the Equity agent programme? Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is Strongly agree

Statements	**1**	**2**	**3**	**4**	**5**
The Amount transacted through agency banking are high					
It takes shorter time to transact on Equity agent platform					
Equity agent enhances efficient provision of bank services					

THANK YOU FOR YOUR PARTICIPATION

Appendix III: Interview Guide for Agency Relationship Managers in the Bank Branches

1. Indicate your Branch
2. How long have you worked in the agency banking department?
3. To what extent do enhance confidentiality of customers information
4. What measures do you employ to minimize transaction errors
5. What measures do you employ to avoid technical failures and malfunctions
6. Are there any reported cases of robberies reported in your agencies?
7. How are you curbing cases of robberies and loss of money from customers in the agents
8. What amount of resources did you require to adopt the agency banking programme?
9. Have you experienced any challenges in accessing resources (may it be skills, finance/capital) to facilitate implementation of the Equity agent programme?
10. Is the bank's information system reliable on enhancing implementation of the Equity agent programme?
11. Do you have adequate infrastructural support to enhance implementation of the Equity agent programme?
12. What are your requirements, restrictions and guidelines on the Equity Agency banking programme?
13. Do you think the set requirements, restrictions and guidelines affect implementation of the Equity agent programme?
14. How would you rate the overall performance of Agency banking programme and what other factors affect or influence the implementation of the progamme?