ADOPTION OF AGENT BANKING SERVICES AMONG RESIDENTS OF KAWANGWARE AREA IN NAIROBI - KENYA

DAVID WANJAGI NDOME

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

NOVEMBER, 2011

DECLARATION

STUDENT'S DECLARATION

This research project is my original work and has not been presented for a degree at any other University.

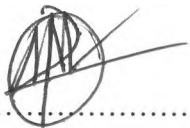**Name: David Wanjagi Ndome**   **D61/70206/2008**

Signature..   Date ...16th November 2011

SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the candidate's University Supervisor.

Name: Dr. Raymond Musyoka

Signature ....   Date ...18/11/2011.............

ii

DEDICATION

This study is dedicated to my Parents Mr. and Mrs. Ndome Mbaru, my Lovely Wife Lorna Njeri and precious daughter Elsie Murugi.

ACKNOWLEDGEMENT

I thank the Almighty God for His guidance and providence which enabled me to undertake this project that was too involving in terms of time and resources.

I wish to express my sincere appreciation to my family for their understanding and support during the project.

Lastly, I would also like to express my sincere thanks to the Supervisor for having agreed to supervise this research paper and his patience in reading the drafts and guiding me, without which the research would not have been a reality.

ABSTRACT

Agent banking took effect in Kenya in May 2010 after the publication of Prudential Guidelines (PG 15) by the Central Bank of Kenya. Agent banking has been practiced in a number of Countries such as Brazil, Columbia and Indonesia. It is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. The objectives of this study were: To determine the extent of adoption of agent banking services by the residents of Kawangware in Nairobi; To determine the kind of services being utilized through Agent banking channels; To determine factors influencing adoption of Agent banking channels by consumers. This research was conducted through a descriptive research design. The population of study was bank customers in the Kawangware area of Nairobi, Kenya. A sample of one hundred and twenty customers was used through systematic sampling. Each of the three Banks being studied provided respondents.

The interview guides had both structured and open-ended questions. After the interview guides were filled up and before processing the responses, they were edited for completeness and consistency. The study concludes that the respondents were in Equity Bank, KCB and Cooperative Bank. The respondents were using agent banking services. The study concludes that accessibility to where customers lived or worked as well as friendly service influenced the respondents in using agent services. The study found out both the POS and Mobile Phone Channels were acceptable to Customers. Banks need to educate its customers on agent banking services through mass media, sales officers and other bank staff.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Agent banking took effect in Kenya in May 2010 after the publication of Prudential Guidelines (PG 15) by the Central Bank of Kenya. An Agent refers to one who acts for or in place of another or a person who is entrusted in the business of another person. An agent acts on behalf of the principal. In the case of Agent Banking, third party businesses are entrusted by Banks to carry out the business of Banking. This is normally regulated under the relevant Banking Laws in the Country. In Kenya, Agent Banking is governed by the CBK Prudential Guidelines PG 15 which became effective on 1st May 2010, (www.centralbank.go.ke). This followed the amendment of Finance Act 2009 that became operational in January 2010 allowing the Central Bank of Kenya to develop guidelines that would govern Agent Banking practice.

Kenya's Vision 2030 has been the bedrock under which these changes in the Banking sector were envisaged. The Vision 2030 aims at transforming Kenya into a newly industrializing middle income Country providing a high quality of life to all its Citizens by the year 2030. It operates under three key pillars namely economic, social and political (www.go.ke). This objective cannot be achieved without accessibility of financial services by the majority of people. The success of mobile money in Kenya and especially M-Pesa emboldened stakeholders in embracing Agent banking. Safaricom had over twenty thousand M-Pesa agents as at the end of 2010. Its phenomenal growth has deepened financial access in the rural areas where traditional brick and mortar bank structures would have required huge capital outlay. There are three other players in the Industry namely Orange Money, Yu Cash, Airtel Money and Tangaza. This transformation in the mode of money transfer has happened in just four years.

It's against this backdrop that the banking industry embraced agent banking and especially through the use of mobile phone and point of sale terminals. More channels such as internet banking are expected to be explored and especially with the increased speed of technological advancement in banking. Majority of the main banks nowadays are already using these types of delivery channels with the mobile channel having taken root in the last three years (CBK, 2010). These study aims at finding the extent to which Agent banking services have been adopted in the Kawangware area of Nairobi.

1.2 The Concept of Adoption and Diffusion of Innovations

Adoption and diffusion of innovations depends on a number of factors such as ease of use, communication channels used to promote the product as well as the number of uses the new product or service can be put into. According to Rogers (1983), there are five categories of adopters. The first category is made of 2.5% of the population and these are known as innovators. There are basically five categories of adopters. They are mostly opinion leaders and once happy with a product or service, they talk about it to their friends, neighbours and peers within their group. Innovators switch brands frequently and other consumers look up to them for recommendation on which products to use.

The next category consists of early adopters. These make up 13.5% of the total market and they have almost similar characteristics like the innovators but they take a little more time to buy and adopt a product or service. Early and late majority consist the bulk of the market at 68%. They are moderate risk takers and they normally wait for positive recommendation from innovators and early adopters. The final category consists of 16% and these are the laggards. They are highly resistance to change and are averse to taking any risk. They are loyal to their old brands and are normally the last to switch brands.

1.3 The Concept of Agent Banking

Agent banking has been practiced in a number of Countries such as Brazil, Columbia and Indonesia. It is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Rather than a Branch teller, it is the owner or an employee of the outlet who conducts the transactions and lets clients' deposit, withdrawal, transfer funds, pay their bills, inquire about an account balance or receive government benefits or a direct deposit from their employer. For instance, Government workers in remote areas are able to receive their salaries from local Agents. (Kumar et al, 2006).

Agent banking relies mainly on technology and partnerships to offer the services. In Brazil and Columbia the use of point of sale terminals as a channel for agent banking was common but new channels such as the mobile phone and the internet are slowly taking root (Kumar et al, 2006). Agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many more. These retailers and post offices are increasingly utilized as important distribution channels for financial institutions. The points of service range from post offices in the outback of Australia where clients from all banks can conduct their transactions, to rural France where the Bank Credit Agricole uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts.

In some instances, personal computers are used for Agent Banking. However, the most common and current trend is the use of mobile phone not only for e-money transfers but also Agent Banking. The leading mobile money operators in the world are and M-Pesa of Kenya, Smart Money and G-cash of Philippines (Beshouri and Gravrak, 2010). Local regulations normally determine what kind of services are to be offered by the selected retail outlets.

The first way is through a cashier. The cashier is primarily being used for individual stores. Transactions are relatively low and processed by the stores cashier. Marketing material and signage are normally limited to the cashier's desk and outside the outlet. The cashier offers Banking service alongside other services in the outlet. Other than a cashier, another set up is that of a stand. This occurs when the Bank sets up a stand where there is dedicated human resource to man the stand. Some Banks prefer this model to promote their Brand. Finally, we can have a dedicated store. This set up is similar to a mini Branch with two or more counters. The only difference with at mini Branch or a satellite Branch is that service is offered by non-bank staff (Ivatury and Lyman, 2006). In Kenya, the first two models are allowed under the CBK Prudential Guidelines PG 15 (www.centralbank.go.ke). This is because, the Central Bank allows Agent banking to operate within another business and a standalone business conducting Agent banking business in not permitted.

1.4 Agent Banking Practice in Kenya

For the period ended 31st December 2010 there were 1,063 bank branches operating in the eight provinces of the Country. Sixty seven new branches opened during the year with the largest percentage increase in Western, North Eastern and Rift Valley Provinces. This was a seven percent increase in the number of Branches Countrywide. Banks Continued to make use of ATMs to expand provision of their services in a more effective and efficient manner. As a result, the number of ATMs increased by 262 representing a growth of 15.3% from 1,717 in December 2009 to 1,979 in December 2010. There were also 112 Pesapoint ATMs in the Country. It is expected that Agent Outlets will help ease the pressure on Branches and ATMs (CBK, 2010).

Agent banking is relatively new in Kenya with the Central Bank of Kenya having released guidelines paving the way for Agent Banking on May 2010. A number of Banks have lined up to take advantage of this new regulation that will allow them to engage third party entities to offer services to the Bank's customers as specified in this guideline. Under the guideline, an agent should have operated businesses for at least eighteen months.

They should also not have been declared insolvent, deficient or doubtful borrowers. They are also required to have enough cash inflows to ensure proper conduct of agent banking business. A number of services are permitted as per CBK Prudential Guideline PG 15. Cash deposit and cash withdrawal is one of them. Customers can deposit cash into their accounts as well as third party accounts such as paying school fees, rent among others. Agent outlets can also be used to disburse loans as well as receive loan repayments. Once loans are approved, the amounts are deposited into customers' accounts and this can be accessed through Agent outlets.

Similarly, customers can also make loan repayments through Agent outlets without the necessity of traveling to their Branches. Utility bills such as water and electricity can be paid through Agent outlets. This is more convenient as opposed to traveling to utility offices to make these payments. Payments of retirement and social benefits are also allowed under agent banking. In most cases, when people retire, they relocate to the rural areas. It would be easier to receive retirement benefits through Agent outlets as opposed to traveling to Cities where the main Banks are located. The same applies to social benefits such as relief funds and payments to cushion the elderly (CBK, 2010). Most people and especially Civil Servants and Teachers normally work far from the Head Offices of the employer. For example; a teacher working in the interior some County where there are no Banks is better served through Agent outlets. Agent outlets therefore come in handy in payment of salaries to this type of staff. Transfer of funds under this Banking model is one of the permitted services under the CBK guidelines. Customers can transfer funds from their accounts to other accounts through Agent Outlets.

Customers are also allowed to access their balances through Agent outlets. This enables them to know whether their accounts have funds in order to enable transactions. In addition, generation and issuance of mini statements is also one of the services permitted under this guideline. Collection of documents in relation to account opening, loan application, credit and debit card application is permitted. The Agent however cannot act on these documents and is not supposed to offer any guarantee on any loan or credit card application. Other services include mobile airtime top up and check book request.

Agents are permitted to receive cheque book requests but they are not allowed to issue them. Once a cheque book is printed, Customers are expected to pick them from their Branches. The Central Bank of Kenya from time to time is expected to review this guideline and enhance services offered at the Agent outlets as the model develops. Further, in order to safeguard customers' interest as well as comply with the regulatory requirements, some services are prohibited under the CBK Agent Banking guideline. Customers and Agents are not allowed to operate or carry out electronic transaction when there is a communication failure in the system (CBK, 2010).

Customers and Agents are not allowed to carry out a transaction when a transaction receipt or acknowledgement cannot be confirmed. This is to safeguard the parties against disputes that may arise afterwards. Agents are also not allowed to charge fees directly. Fees charged at Agent outlets relate to those that have been prescribed by the Bank. Hence Agents are not allowed to charge fees directly to customers. Agents are also not allowed to continue carrying agent banking business when the initial commercial activity has ceased or significantly diminished. Agent Banking in Kenya rides on the existing business and agents are therefore recruited on this basis. Agents are also not allowed to offer any type of guarantee or favour to any customer.

Although Agents are permitted to collect documents in relation to account opening, credit card application as well as loan applications, there are not allowed to appraise them for suitability. This core function remains with the Bank and hence they cannot guarantee any particular action on these documents (CBK, 2010). Agents are not allowed to offer Banking Services in their own accord since the agreement between them and the bank limits them to offer services on behalf of the bank. This includes prohibition from opening accounts or granting loans; services which should remain entirely with the principal financial institution and not the agent. As alluded earlier, Agents are not allowed to open accounts, grant loans or carry out an appraisal function for purposes of opening and account or granting a loan or any other facility. This function remains with the Principal Bank.

Agents can however collect these documents. Due to their nature, Agents are not allowed to undertake cheque deposit or encashment of the same. This function remains with the Bank which has the competency and equipment. In addition, Agents are not allowed to handle transactions in foreign currency. The Central Bank of Kenya had licensed a number of Banks to undertake Agent Banking in Kenya as at August 2011 and many more were gearing to apply for a license. Equity Bank had over 2,000 operational Agents across the Country out of an approval of 8,000 Agents as at July 2011 (www.equitybank.co.ke).

Kenya Commercial Bank (KCB) launched the service in April with about 500 approved Agents as at end of March 2011. KCB's Agent Outlets will be christened KCB Mtaani to depict that these outlets will be available in your neighbourhood. Cooperative Bank has also advertised so that interested businesses can apply to partner with the Bank on Agent Banking. Just like KCB, Cooperative Bank Agents has been aptly christened Coop Jirani to depict the fact that these outlets will be available in your neighbourhood. Others like Chase Bank are already piloting with twenty Agents in major towns. Consolidated bank has also acquired a system to support agent banking and is expected to test and deploy agent banking services. This is in addition to National bank as well as the Standard Chartered Bank of Kenya which are currently considering options for Agent Banking.

With Agent banking taking root across the Counties, rationalization of Branches is expected with a number of hubs seeing branch growth to serve as oversight for the agent outlets. This has been the case in a number of countries across the world where agents' growth has not affected branches adversely but rather strengthened and rationalized it (Mathews and Ding, 2009).

Kawangware area is about fifteen kilometers from Nairobi City on the Eastern side of the posh Lavington Estate. It lies between Kangemi to the North, Dagoretti to the South and Kilimani to the West. Kawangware is a low class neigbourhood with majority of inhabitants doing casual jobs in the larger Nairobi Industrial area. A number of night guards working in town live here as well as numerous micro businesses. Until 2008, majority of the mainstream banks in Kenya had ignored this neighbourhood with the exception of K-rep Bank, a micro finance institution which had its headquarters at Satelitte near Kawangware. Currently, four main banks have already opened branches here namely, Equity Bank, Cooperative Bank, Kenya Commercial Bank and Barclays Bank. There are also a several Agent outlets opened by the mainstream banks that have already started Agent banking namely; Kenya Commercial, Cooperative Bank and Equity Bank. Kawangware and environs has about one hundred and fifty thousand inhabitants, majority of whom are un-banked or under-banked (KNBS, 2009).

1.5 Statement of the Problem

According to Wiseman (1995), a problem must be defined clearly before a research can commence. The Finance bill of 2009 sought to introduce Agent Banking, (CBK 2009). Institutions would be allowed to conduct banking business through third party agents duly approved by the Central Bank. The Central Bank released Agent Banking guidelines on 1st May 2010. In preparation of this new model of conducting business, the Central Bank carried out preparatory work with regard to the formulation of the guidelines.

This entailed acquisition of the knowledge, commissioning of a preliminary study in conjunction with the Financial Sector Deepening (FSD) to provide broad policy guidance on the implementation of Agent Banking in Kenya and undertaking a knowledge exchange tour of Brazil and Columbia in October 2009 facilitated by the Alliance for Financial Inclusion (AFI) to get practical insights on Agent Banking. The survey conducted by FSD showed that the number of Bank branched in Kenya had more than doubled in absolute terms reversing the trend of Branch closures experienced in the last decade (FSD, 2009).

While Banks have been employing the traditional branch and ATM channels, the fastest growing channels were those of M-pesa, the mobile payment product offered by Safaricom. Brazil which had been using Agents commonly known as Banking Correspondents has been able to move transactions to almost fifty percent through the Agent network (Ignacio and Siedek 2008). This study seeks to establish the extent of adoption of Agent banking in Kawangware area of Nairobi following the release of the CBK Guidelines in May 2010.

It is noted that at least three Banks in Kenya had launched Agent Banking services in the Year 2011, almost one year after the guidelines were released. These Banks are Equity Bank, Kenya Commercial Bank, Cooperative Bank of Kenya. This study seeks to determine the extent of agent banking adoption in Kawangware area of Nairobi. Others studies have been done in the areas of adoption and alternative banking channels. They include, Nyakondo (2010), did a study on factors influencing banking industry to adopt strategic positioning in mobile banking. The study found that banks had adopted moderate technology to a moderate extent and there was need to do more in this area; Ngigi (2010), conducted a study on challenges of E-banking adoption which revealed that e-banking was a relatively new distribution channel in Kenya and the key challenges facing it included ICT security, quality as well as consumer awareness programs; Nzioka (2010), studied adoption of new pharmaceutical products by wholesalers in Kenya. The study found that price of the new product as well as availability of competitor products affected adoption rate. To the best of my knowledge, no other study has been conducted on adoption of Agent banking services in Kawangware area of Nairobi.

1.6 Objectives of the Study

A research must have one or more clear objective (Churchill and Iacobucci, 2005). The objectives of this study are:

a) To determine the extent of adoption of agent banking services by the residents of Kawangware in Nairobi

b) To determine the kind of services being utilized through Agent banking channels among the residents of Kawangware

c) To determine factors influencing adoption of Agent banking channels by consumers in Kawangware

11

1.7 Significance of the Study

Banks are increasingly embracing agent banking in Kenya and it's expected that the practice will become widespread and especially in the retail segment of banking. Agent banking would require substantial investment by the Banks as well as the participating partners. Further, the Central Bank of Kenya being the regulator would definitely need to understand how this practice is being adopted by the consumers. It's envisaged that Agent Banking will increase service outreach to the majority of Kenyans who could not be reached by these services. Customer service is also expected to improve since customers will be able to use local Agents as opposed to visiting Branches or Automated Teller Machines (ATM) which could be far. Other effects of Agent Banking include increasing Branch productivity.

This is critical especially at a time when Banks are becoming more and more cost conscious. The study might further assist Central Bank to improve the Prudential Guidelines in order to enable the Country reap maximum benefits from this practice. Financial access by the majority of Kenyans is a key objective if the Government's Vision 2030 is to be achieved. This study would therefore be important to all stakeholders in the Banking Industry. It will help Banks and the regulator know the extent of adoption of this new model of banking and come up with ways to ensure financial services are accessible to majority. This is critical especially because this model has just been started in Kenya.

Thus, the Central Bank and the Government of Kenya will find this information useful in gauging the success of this model and help enact rules that will ensure financial access by majority. Commercial Banks will be guided by this study in the implementation of agent banking by adopting strategies that ensure greater success. Further, the study will form the basis for future study by scholars who may have an interest in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Adoption and diffusion of Innovations

Adoption of a product in the market depends on a number of factors such as type of product, ease of use and communication channels used to promote the product. Rate of diffusion and adoption of different products differs from one market to the other. For instance, technology products may be adopted faster by the younger people as opposed to the older ones. Rogers (1983) first introduced the theory and process of adoption. According to this theory, people differ in terms of their risk taking and in their attitude to change. This affects their willingness to try and adopt a new product or service.

There are basically five categories of adopters. The first one consists of the innovators. Innovators in any product consist of 2.5% of total market. They are viewed as opinion leaders and once happy with a product or service, they talk about it to their friends, neighbours and peers within their group. Innovators are frequent brand switchers. Others look up to them for guidance and recommendation. The next category consists of early adopters. This make up 13.5% of the total market. They have almost similar characteristics like the innovators but they take a little more time to buy and adopt a product or service. Early and late majority consist the bulk of the market at 68%. They are moderate risk takers and they normally wait for positive recommendation from innovators and early adopters.

The final category consists of 16% and these are the laggards. They are highly resistance to change and are averse to taking any risk. They are loyal to their old brands. Rogers describes dominant characteristics of each of these categories briefly, as follows: innovators are venturesome, early adopters are respectable, the early majority are deliberate, the late majority are skeptical, and laggards are traditional (Rogers, 1983).

According to Lowrey (1991), consumers will always search for information before using a new product. Purchase might be done on impulse but the process takes much longer before a decision is reached. Some consumers might delay a purchase while doing an analysis of cost and benefit. Others would wait due to future expectations or better alternatives while those who non adopters may have reasons related to quality or philosophical reasons (Lowrey, 1991).

Five characteristics influence the rate of adoption of innovation (Rogers, 1983). Innovation relative advantage refers to the perceived advantage of a product or service in relation to existing ones. Where the perceived relative advantage is high, adoption tends to be faster. Innovation compatibility refers to the rate at which innovation is compatible to the users' values and experiences. For example, Laptops may meet the values and experiences of a growing segment of Kenyan professionals. Innovation complexity refers to how easy or hard it is to use a product or service. The more complex an innovation is the more difficult it is to be adopted. Divisibility of innovations refers to the number of uses and innovation can be put into. The more uses and more purchase options available, the faster the diffusion process. Communicability of innovation also determines diffusion. This is the degree to which the benefits of innovation can be observed and communicated (Rogers, 1983).

Moore (2002) developed `crossing the chasm model' which was basically a Rogers (1983) model applied to technology and a chasm added. According to Moore, a marketer should focus on one group of customers at a time, using each group as a basis to market to the next group. The most difficult step is making the transition between innovators and early adopters or a transition between visionaries and pragmatists. This is the chasm he refers to. If successful, an organization can create a bandwagon effect in which the momentum builds and the product becomes a de facto standard (Moore, 2002).

2.2 Agent Banking Practices

Agent banking has been practiced for many decades in South America and other parts of the world in different forms. In this regard, the bulk of information on Agent Banking will considerably be from outside Kenya and especially South America. A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many more (Ivatury and Lyman, 2006).

According to Rosenblow (2004), a channel is the external contractual; organization that management operates to achieved its distribution objectives. Agent banking is one such channel that banks are utilizing. These retailers and post offices are increasingly utilized as important distribution channels for financial institutions.

The points of service range from post offices in the Outback of Australia where clients from all banks can conduct their transactions, to rural France where the Bank Credit Agricole uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts. Financial Institutions in other Countries in Latin America such as Peru, Columbia and Mexico have also initiated Agent Banking. In Columbia, Banagrario Bank operates through a network of Agents. Banking Agents can also be found in France, Germany, New Zealand, Indonesia, Philippines and South Africa. Local regulation will determine if financial institutions are allowed to work through retail outlets (Ivatury and Lyman, 2006).

Regulators in each Country determine what kind of services, if any, financial institutions are permitted to contract banking agents, what products can be offered at the retail outlets, how financial institutions have to handle cash transport, know your customer (KYC), Anti-money Laundering regulations (AML), Combating Terrorism Financing regulations (CTF) as well as Consumer Protection requirements (Kumar et al 2006 and www.centralbank.go.ke). In Kenya, Agent Banking is governed under Finance Act 2009 and CBK Prudential Guideline PG 15. The Financial Act of 2009 set the tone for Branchless Banking which led the regulator to come up with the guidelines which were officially released on 1st May 2010. The guideline provides a clear framework for the conduct of Agent Banking business in Kenya.

There are number cases in the world where Agent Banking is being practiced. Indeed, all the six major continents of the world have practiced one form of Agent Banking over the years with Africa being the most recent. Brazil has the most elaborate Agent Banking practices. In Brazil, four main Banks emerged as front runners in Agent Banking using different models. Caixa Economica Federal, a leading Public Bank has the largest number of Agents (correspondents) through its partnership with the Lottery House Association. Caixa Agents are branded Caixa Aqui. (Kumar et al, 2006).

Banco do Brasil is another leading public Bank in Brazil and a main competitor of Caixa. It adopted a different model of Agent Banking by promoting Banco Popular do Brasil as a wholly owned subsidiary. This allowed it to have an apparently lean structure of only seventy staff for almost one Million accounts opened. Bradesco won a public bid promoted by Brazil Post Office. This provided Bradesco with exclusive access of 5,300 of the 10,500 Postal Offices in Brazil. The fourth Bank, Lemon Bank is a private institution set up to take advantage of Agent Banking. It partners with Retailers in the Provision of Banking Service. Its main Branch is Sao Paulo serves as its headquarters. It had over 5,000 Agents in 2006 (Kumar et al, 2006).

The Reserve Bank of India allows intermediaries to carry on banking services on behalf of the Banks. This has increased spread to the rural areas as well as ensuring majority of unbanked population are banked. The Reserve Bank of India in its guidelines for business correspondents (BCs) allows individuals, non-governmental organizations, cooperative societies, post offices and companies with large and widespread retail outlets to become business correspondents but kept non bank financial companies (NBFCs) out of it. One reason behind the move, according to people familiar with how NBFCs work, could be that these firms, including Micro Finance Institutions lend money in rural India. If allowed to mobilize deposits on behalf of Banks and continue with their lending function, this may amount to conflict of interest (RBI, 2008).

According to the guidelines, business correspondents will raise deposits, disburse tiny loans, recover bad loans, sell micro insurance, mutual funds, pension products and other third party products as well as receive and deliver small value remittances. The activities are conducted within the normal course of banking business but conducted in places other than a bank branch. Eko India Financial Services has been servicing two banks as a business correspondent. The two banks are the State Bank of India and ICICI Bank. About fifty percent of people in India have no Bank accounts (RBI, 2008).

In rural India, only thirty nine percent have bank accounts against 60% in urban India. Only 5.2% of the Country's 650,000 villages have bank branches and the business correspondence have been filing this void. Indonesia is a Country of many islands and hence accessibility is a major problem. Indonesian Bank uses the post offices to offer banking services (RBI, 2008). The Indonesia Post Office PT Pos Indonesia provides payment services through its network of 3500 branches, 300 mobile services vehicles and 11,000 village Agents. PT Pos Indonesia offers Agent banking service to thirty eight Banks in Indonesia. As an Agent for thirty eight banks, PT Pos Indonesia carries out over 20 million money transfer a month. Agent banking in Indonesia has helped millions of people access banking services (Beck, Thorsten et al 2005).

2.3 Benefits of Agent Banking

Agent banking offers many benefits to the various categories of people offering the service. Increased customer base and market share is expected to be achieved through agent banking. Through this model, banks will be able to increase as well as retain their customers. Banks are expected to lower operating costs through agent banking. Agent banking is a low-cost solution in areas with potentially less number and volume of transactions where opening a brick and mortar structure could not be cost effective. With a bigger customer base and more transactions banks will experience increased revenue from additional investment, interest, and fee income. Improved indirect branch productivity by reducing congestion in branches will also result from this model. These are some benefits that will be accrued by banks that will adopt this model.

Agents are expected to increase sales as a result. More people coming to transact would translate to increased sales from additional foot-traffic. Differentiation from other businesses is also expected from this model by the businesses that will adopt it. This would result to more business sustenance. Partnering with a bank would translate to good reputation from the affiliation with well-known Financial Institution. This leads to increased trust by customers, lenders, creditors as well as other business partners. Agents would be undergoing regular training from the bank on risk management, customer service as well as other topics in order to serve customers much better. This is expected to enhance their business skills. Businesses offering Agent banking are expected to improve customer loyalty since they will now be a one stop shop. Additional business from Agent Banking means additional revenue from commissions and incentives.

Costs emanating from traveling to branches will be greatly reduced and hence members of the public will be receiving banking services cost effectively. It is estimated that customers spend about USD 2 per month on travel in order to access banking services (Mwangi, 2010). Due to reduced traveling, customers will have more time to attend to other tasks and hence lead to more productivity at work. Due to longer opening hours, it will be much more convenient for customers to access services as and when they need them. Agents are expected to have shorter queues than in branches which are normally crowded especially during peak times.

Agents are expected to be more accessible for illiterate and semi-illiterate customers as well as the very poor who may feel intimidated in branches. This will in turn increase financial access as envisaged in Kenya's vision 2030. The agent channels are expected to be a source of employment to many youths who will be engaged to offer the services.

2.4 Challenges of Agent Banking

Key challenges in setting up and running Agent Banking are many and varied. The initial one is creation of relationships to establish and expand the network. Agent Banking runs on partnerships with third party organizations or persons. Creation of relationships with the third parties involves negotiations and understanding which may take a bit of time. For Institutions already carrying out Agent Banking, past relationships may affect the success or failure of new relationship with Agents. It's critical for an Agent Banking Unit to be well equipped with Relationship Officers to ensure smooth running of day to day interactions. There is also a challenge in managing cash and liquidity. Agents will be required to have enough funds in the float account to facilitate deposits as well as enough cash in the till to facilitate withdrawals. This way, they will be able to serve customers without running into liquidity problems. Moreover, a challenge of creating the right cost model is present (Katy, 2005).

Agent Banking is expected to reach out to the un-banked and under-banked. Pricing model for the services is therefore expected to be more affordable to the majority of these two segments. Banking Institutions and the regulator therefore need to come up with a pricing model that ensures that costs are maintained at lower levels. Training and educating agents remains a challenge that must be tackled by financial institutions that embrace this model. It is worthy to note that Agent Banking is run through a network of third party businesses. These businesses may have little or no exposure to conventional banking at all and the regulations that govern it. Training on simple use of the Agent Banking equipment is also critical in order to ensure smooth operation of the same. Further, these Agents require training on Customer service, Compliance, Book keeping, Banking and reconciliations.

Managing Controls and Compliance gives very wide areas of risks emanating from the Agent Banking model. The immediate and obvious one is on regulatory issues. Agents may not be able to handle business as required by regulation. For instance, issuance of service when the IT system is down, issuing service without proper identification and Agent or client compromising the PIN could be some of the main problems faced by Agents.

There are also the risks associated with the type of the Agent Banking model that the Bank chooses and security of the IT systems. It's worthy to note that Agent Banking requires transactions to be done on real time basis in order to minimize settlement and reconciliation risks. A robust IT platform is necessary for this. Other risks associated with Agent banking include the effect on Customer service and Brand image. Agent and Customer support is a key challenge in Agent Banking. This is because majority of Agents would be working outside the Bank's business hours; sometimes in a twenty four hour fashion. It's therefore imperative that the systems should be able to provide the service even when the main Bank is closed. In addition, a twenty four hour Contact Centre becomes ideal in order to support Agents and Customers who may have problems and need Bank's assistance (Katy, 2005).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This lays down the framework that was used by the Researcher to find answers to the research question (Bradley, 2007). The research question is; to what extent has agent banking services been adopted by the residents of Kawangware area of Nairobi? Malhotra (2007) indicates that a research work should detail the procedures necessary for obtaining the information needed to structure and solve research problems. Although a broad approach to the problem had been defined, the research design specifies the details of implementing the approach. This research was conducted through a descriptive research design. This is because it helped describe data and characteristics of the population and hence answer our research question.

3.2 Population of the Study

The population of study was bank customers in the Kawangware area of Nairobi, Kenya. Bank customers from three banks that had already rolled out agent banking outlets as at July 2011 were sampled. The three banks were Kenya Commercial Bank, Equity Bank and Cooperative Bank. Active customer base from these three banks in Kawangware was estimated to be twelve thousand according to exploratory research that involved informal interviews with the three bank staff.

3.3 Sample of the Study

A sample size of one hundred and twenty customers was used through systematic sampling. Each of the three Banks being studied provided respondents. This ensured proper coverage of the area of study and a representative sample size (Kothari, 2000).

3.3 Data Collection Methods

Primary data was used for the study. These were the facts, assumptions or premises that were obtained directly from the field. In order to establish the adoption of Agent Banking practice in the Kawangware area of Nairobi, interviews were administered to the customers. The interview guides had both structured and open-ended questions. Section two questions were structured giving the interviewee guidance on how to answer the questionnaire. A five point Likert scale was used. Open-ended questions were used in section three in order to give the researcher insight in the areas that might require further study. The use of open-ended questions enables better exposure of the interviewees' general attitude, opinions and insights and has much less biasing influence on response (Malhotra, 2007).

3.4 Data Analysis

After the interview guides were filled up and before processing the responses, the interview guides were edited for completeness and consistency. The data was then coded and transcribed for analysis. Content analysis was most useful in analyzing the data. Malhotra (2007) defines content analysis as the objective, systematic and quantitative description of the manifest content of a communication.

This was the best method of analyzing the qualitative data that was collected from the interviews and discussions. The data was analyzed by use of the statistical package for social science, SPSS tool. Data was presented by means of frequencies, percentages, mean and standard deviations. This enabled the researcher decipher the meaning of the data and make conclusions by answering the study questions.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on adoption of agent services among residents of Kawangware area in Nairobi. The data was gathered exclusively from the interview guide as the research instrument. The questions were designed in line with the objectives of the study.

4.1.1 Response Rate

The study targeted 120 respondents in collecting data with regard to adoption of agent services among residents of Kawangware area in Nairobi. From the study, 120 out of the 120 sample respondents participated in the interviews making a response rate of 100%. This reasonable response rate was made a reality after the researcher visited respondents at their places of work and made appointments for the interview with those that were busy at the time of visit.

4.2 Demographic information

Figure 4.1: Gender of the respondents
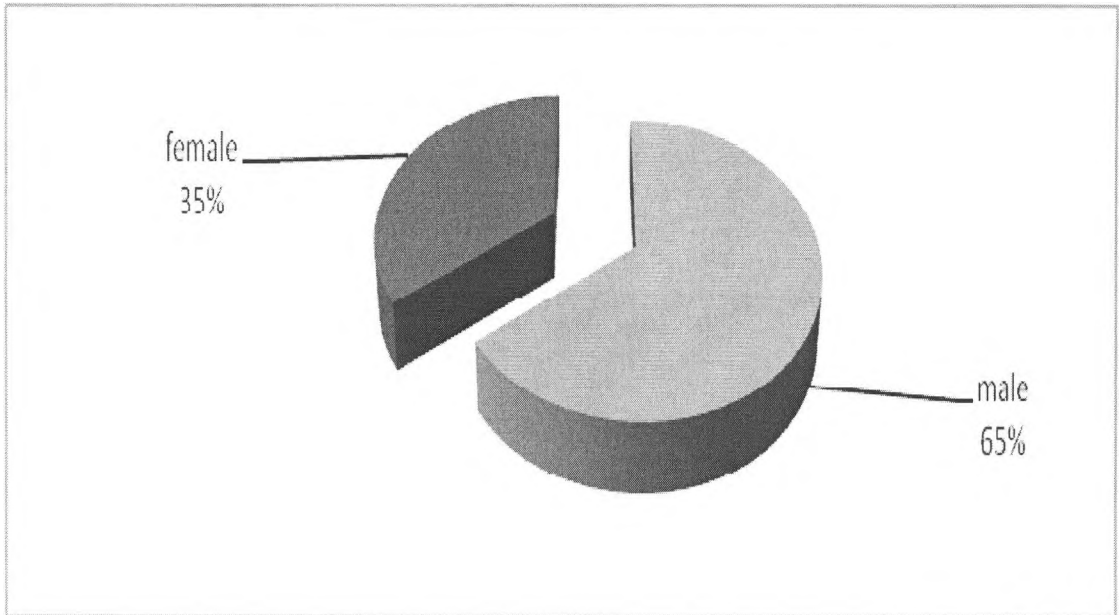
The study sought to find out the gender of the respondents. According to the findings, 65% of the respondents were male while 35% of the respondents were female. Male were seventy eight while female respondents were forty two out of the total one hundred and twenty respondents.

Table 4.1: Age of the respondents

| Age	Frequency	Percent
No response	3	2.5
18-30	72	60
31-50	36	30
Over 50	9	7.5
Total	120	100

The study sought to find out the age of the respondents. According to the findings, 60% of the respondents were aged 18-30 years, 30% of the respondents were aged 31-50 years, 7.5% of the respondents were aged over 50 years and 2.5% of the respondents gave no response in relation to their age.

Figure 4.2: Education level of the respondents
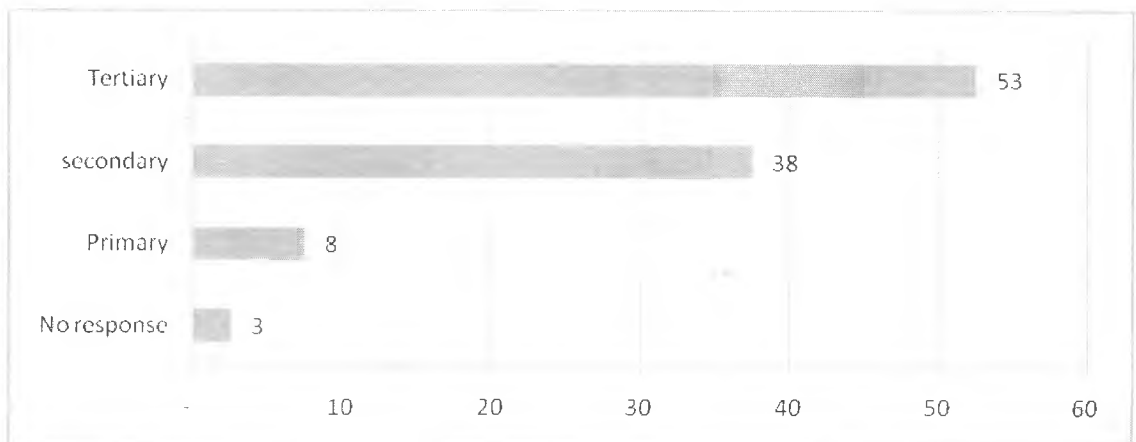
The study sought to find out the education level of the respondents. From the findings, 53% of the respondents had reached tertiary level, 38% of the respondents had reached secondary level and 8% of the respondents had reached primary level.

4.3 Usage of Agent Services

Figure 4.3: Name of the respondents banks
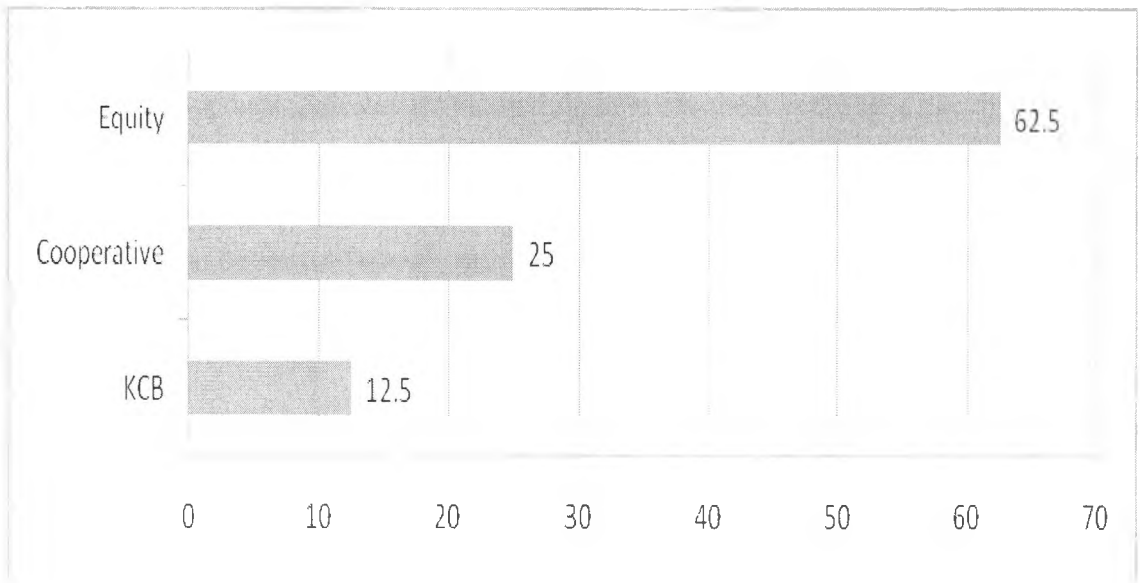
The study sought to find out the name of the respondents banks. According to the findings, 62.5% of the respondents were in Equity bank, 25% of the respondents were in Cooperative bank and 12.5% of the respondents were in KCB bank. The numbers were 75 respondents from Equity Bank, 30 from Cooperative Bank and 15 from KCB.

Table 4.2: If the respondents were using agent banking services

Response	Frequency	Percent
Yes	93	77.5
No	27	22.5
Total	120	100

The study sought to find out if the respondents were using agent banking services. According to the findings, 77.5% of the respondents were using agent banking services while 22.5% of the respondents were not using agent banking services. Those who did not use the agent services indicated that they did not know them and others had no information on how they functioned. Others were not sure whether the systems used were secure or not and hence did not want to take the risk. They felt much safer being served by Bank staff or at the automated teller machine, ATM.

Some respondents indicated that they were not able to access mobile banking services as they had not prescribed and hence could not access agent banking services that were running on mobile phone. This was mainly in some Equity outlets and all the KCB outlets whose only channel was the mobile platform. Some respondents did not trust those recruited by banks to conduct agent banking and feared their money might be lost in the process of accessing services from them. Other respondents said they did not see the need of using agents whereas the banks were quite near and agent systems were prone to failures. Those not using the service were however a minority according to these findings.

Figure 4.4: Type of channel the respondents had used at the agent
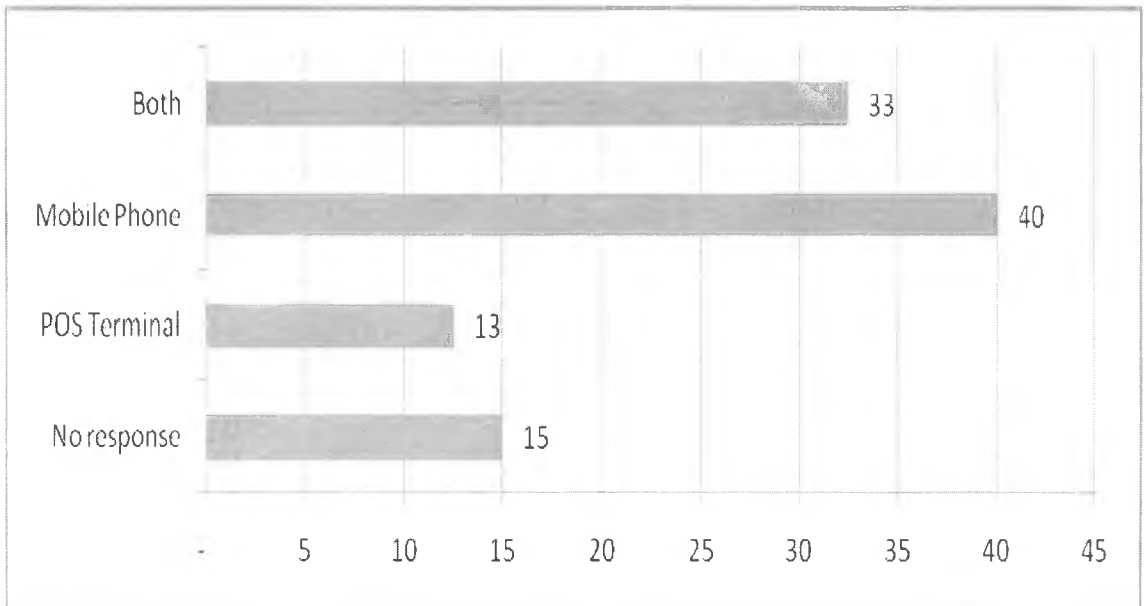
The study sought to find out the type of channel the respondents had used at the agent. According to the findings, 40% of the respondents had used mobile phone channel at the agent, 33% of the respondents had used both mobile phone and POS terminal channel at the agent and 13% of the respondents had used POS terminal channel at the agent. According to Rosenblow (2004), a channel is the external contractual; organization that management operates to achieved its distribution objectives. Agent banking is one such channel that banks are utilizing. Others are the automated teller machines and internet banking. Currently, Agent banking is mainly availed on POS terminals and mobile phones with the mobile phone becoming more and more popular due to its wide coverage and reach. Earlier models of Agent banking such as in Brazil relied heavily on POS terminals.

Table 4.3: The channel that the respondents preferred most

Channels	Frequency	Percent
No response	15	12.5
POS Terminal	30	25
Mobile Phone	66	55
None	9	7.5
Total	**120**	**100**

The study sought to find out the channel that the respondents preferred most. According to the findings, 55% of the respondents preferred mobile phone channel, 25% of the respondents preferred POS Terminal channel, 7.5% of the respondents preferred none of the channels. The respondents indicated that they it was easy to use mobile phone and also indicated that the mobile phone had higher security levels as one did not need to input passwords on Agent's equipment. POS was considered less secure by a number of Customers but they agreed that it was easier to adopt since one only needed to have an ATM card in order to access the service. Mobile platform required one to subscribe to the Bank's mobile banking platform before accessing the service and especially the withdrawal services.

Those who preferred POS indicated that their preference was primarily because the POS equipment was able to print receipts which could be presented in case of third party deposits for school fees, rent and court fines. This were more authentic that the hand written Agent receipts. Further, they did not to register in order to access Agent banking services as long as they were bank customers who possessed an ATM card.

Table 4. 4: Services used by the respondents at the agent outlet

Services	No response	Yes	No
Cash deposit	24	62	13
Cash withdrawal	24	73	2
Mini statement	36	24	40
Balance enquiry	22	56	22
Bill payment	36	38	27
Third party deposits (rent, school fees etc.)	33	27	40
Account opening document collection	38	29	33
Cheque book request	42	9	49
Loan disbursement	42	2	56
Loan repayment	44	2	53

The study sought to find out the services used by the respondents at the agent outlet. According to the findings, 73% of the respondents used cash withdrawal services, 62% of the respondents used cash deposit services and 56% of the respondents used balance enquiry services. The less used services were loan disbursement and loan repayment which were at 2%. Cheque book request was also not used much due to the fact that there are very few individual current accounts that would require a cheque book. Only 9% of the total respondents used this service. Bill payment and mini-statement had 38% and 24% respectively while account opening document collection had 29%. Agents could therefore become in handy in recruiting new bank customers as well as managing bank queues by offering all the high volume and low value transactions that do not require a lot of expertise. Banks could therefore concentrate on other services that require relationship management and longer incubation periods such as lending and managing the needs of small and medium enterprises as well as large corporate. The bottom of the pyramid market that includes majority of micro finance and low end personal customers are better served at the Agent outlets. These outlets also help in salary disbursement where salaried employees need not go to a branch or ATM location in order to access their funds.

4.4 Factors influencing the use of Agent Outlets

## Table 4.5: Factors that influenced the respondents to use agent outlet

Statement	No response	Strongly agree	Agree	Not sure	Disagree	Strongly agree	Mean	Stdev
Accessible to where I live or work	0	49	27	2	22	0	4.0	0.1
Cost effective service	0	36	24	4	4	31	3.3	0.4
Friendly service at agents outlets	0	31	29	7	33	0	3.6	0.2
Fast service at agents outlets	0	29	33	4	2	31	3.3	0.1
The service is secure	0	33	31	7	2	27	3.4	0.6
Open longer hours than branch	33	22	29	7	7	2	2.6	0.3
Shorter or no queues	0	29	36	9	4	22	3.4	0.1
Recommended by banks and associates	0	9	38	13	11	29	2.9	0.2
Acceptable by landlords, school bursar etc.	0	9	18	31	16	27	2.7	0.1
The agents are trustworthy	0	9	33	18	7	33	2.8	0.4
The spirit of adventure or trying something new	36	24	27	9	2	2	2.6	0.3

The study sought to find out the factors that influenced the respondents to use agent outlet. From the findings the respondents agreed that they were influenced to using agent outlet by accessibility to where they lived or worked as shown by a mean of 4.0, the respondents agreed that they were influenced to using agent outlet by friendly service as shown by the mean of 3.6, the respondents were influenced to using agent due to the security of the service as shown by a mean of 3.4, the respondents were influenced to using agent outlet by shorter or no queues as shown by a mean of 3.4, the respondents were influenced to using agent outlet by cost effective service as shown by a mean of 3.3.

The respondents were influenced to using agent outlet by fast service at agents outlets as shown by a mean of 3.3, the respondents were not sure that they were influenced to using agent outlet due recommendation by banks and associates as shown by a mean of 2.9, the respondents were not sure that they were influenced to using agent outlet due to the trustworthiness of the agents as shown by a mean of 2.8, the respondents were not sure that they were influenced to using agent outlet due to acceptability by landlords, school bursar among other third party payments as shown by a mean of 2.7, the respondents were not sure that they were influenced to using agent outlet due to opening of longer hours than branches as shown by a mean of 2.6 and the respondents were not sure that they were influenced to using agent outlet by the spirit of adventure or trying something new as shown by a mean of 2.6.

From the responses, accessibility, costs as well as friendliness and trustworthiness of the Agents were important influencers in the decision to use Agent banking services. Although they were not sure whether shorter queues or longer opening hours at Agent outlets influenced their decision in using the service, it was clear that this had an implication since they were rated higher than average of 2.5. Clearly, all these were important factors in considering whether or not to use the service. A mean of 2.7 on third party payments meant that majority of recipients of these payments such as school bursars and Landlords had no problem having the payments done through the Agents. Bank staff and associates of the respondent also played a key role in influencing them to use the service. The participating Banks had done some awareness creation through the mass media as well as below the line promotions where customers would get to know the names of agents available through the bank and ATM lobbies, the bank websites as well as through billboards and other outdoor advertising means. KCB and Equity had used billboards at strategic locations while Cooperative Bank was using FM stations to hype their Agent banking service dubbed Coop Kwa Jirani. Equity had also done a major road show with a leading media house; the Royal Media Services; in order to popularize the service.

Figure 4.5: How the respondents knew about agent banking services
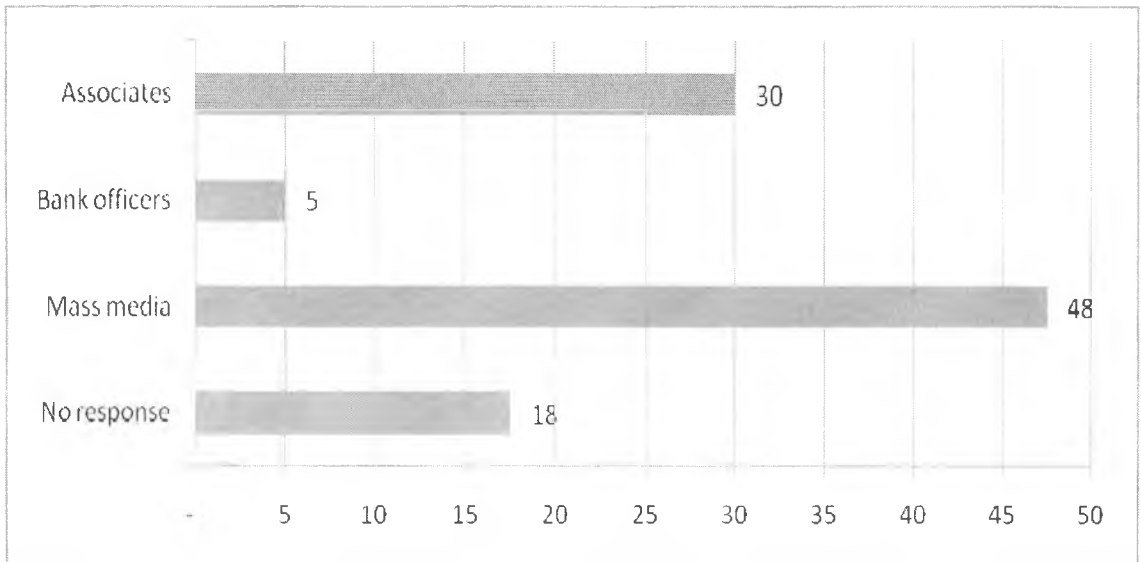
The study sought to find out how the respondents knew about agent banking services. From the findings, 48% of the respondents knew about agent banking services through mass media, 30% of the respondents knew about agent banking services through associates and 5% of the respondents knew about agent banking services through bank officers. It was clear that the mass media and associates formed the biggest media in popularizing Agent banking. In the mass media, a number of channels were used such as electronic, print as well as outdoor advertising. Other creative ways of reaching customers by the banks included road shows. Equity Bank and KCB used road shows to popularize Agent banking. Branding of Agent outlets was also key in ensuring the Agents got visibility and Equity had done quite a bit in this followed by Cooperative Bank. KCB and Cooperative Bank used Swahili names to brand their Agents while Equity chose the generic name of Agent.

Figure 4.6: If the respondents would recommend a friend to use agent banking services
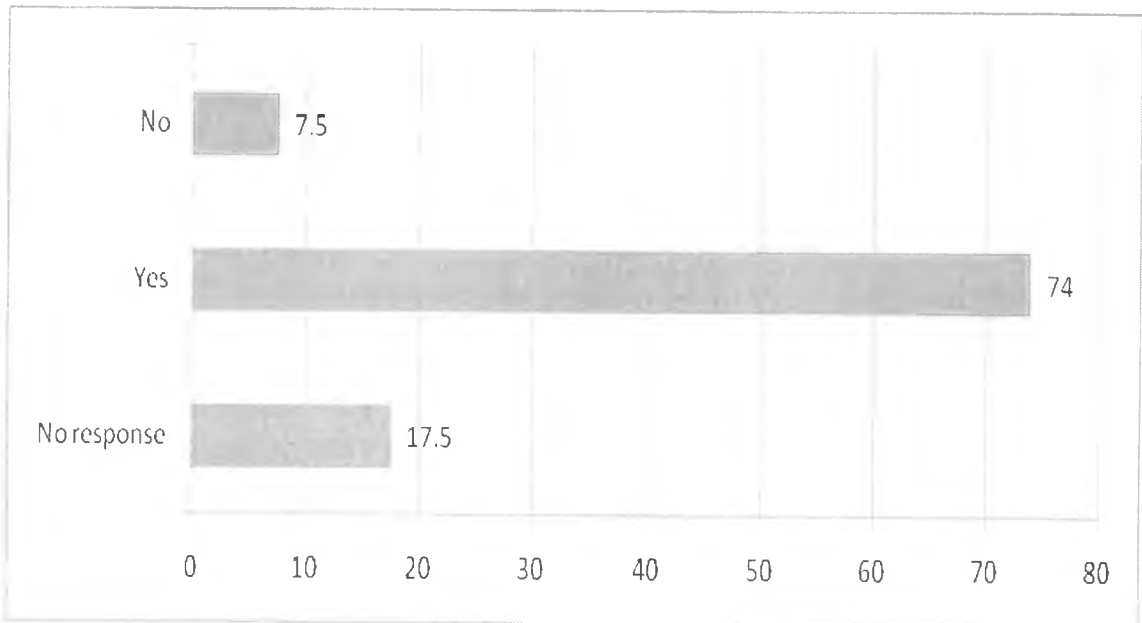
The study sought to find out if the respondents would recommend a friend to use agent banking services. From the findings, 74% of the respondents would recommend a friend to use agent banking services while 7.5% of the respondents would not recommend a friend to use agent banking services. 17.5 % of the respondents gave no specific response on this question apparently due to indecision and lack of knowledge of existence of the service. Those who said they would not recommend a friend even though they had used the service gave varying reasons but the bottom-line was dissatisfaction of the service due to system failures or poor service at an Agent outlets. A few indicated that they could not trust the Agents to handle a lot of their money but were content in doing small transaction and hence would advise their friends to only use the service for small transactions. Others felt that the system used by Agents could compromise their password and hence avoided the service and would also advise others to do the same.

36

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were:

a) To determine the extent of adoption of agent banking services by the residents of Kawangware in Nairobi

b) To determine the kind of services being utilized through Agent banking channels among the residents of Kawangware

c) To determine factors influencing adoption of Agent banking channels by consumers in Kawangware

5.2 Summary of the Findings

The study aimed at investigating the adoption of agent services among residents of Kawangware area in Nairobi. One hundred and twenty customers of Equity, KCB and Cooperative Bank were interviewed.

5.2.1 Usage of Agent Services

The study found that 62.5% of the respondents were in Equity bank. 77.5% of the respondents were using agent banking services. 40% of the respondents had used mobile phone channel at the agent. 55% of the respondents preferred mobile phone channel. 73% of the respondents used cash withdrawal services, 62% of the respondents used cash deposit services and 56% of the respondents used balance enquiry services. The less used services were loan disbursement and loan repayment used 2% as well as cheque book request which had 9%. The findings are in tandem with the customer share of the three banks where Equity has over 50% of the banking population followed by Cooperative Bank at about 20% and KCB at 12% (CBK, 2010)

5.2.2 Factors influencing the use of Agent Outlets

The study found that accessibility to where one lived or worked influenced adoption of the service as shown by a mean of 4.0, friendly service at the respondents also influenced customers to using agent outlet by as shown by a mean of 3.6, security of the service also influenced usage as shown by a mean of 3.4, shorter or no queues influenced service usage as shown by a mean of 3.4, cost effectiveness service as shown by a mean of 3.3, fast service at agents outlets as shown by a mean of 3.3, recommendation by banks and associates as shown by a mean of 2.9, trustworthiness as shown by a mean of 2.8, acceptable by landlords, school bursar among others as shown by a mean of 2.7, open longer hours than branches as shown by a mean of 2.6 and the spirit of adventure or trying something new as shown by a mean of 2.6. 48% of the respondents knew about agent banking services through mass media. 75% of the respondents would recommend a friend to use agent banking services. Most of these factors influenced usage of the service but accessibility was crucial in enabling respondents to adopt the service. It was noteworthy that all other factors were important with a rating of more than the average 2.5%.

5.3 Conclusion

The study concludes that the respondents were in Equity bank, KCB and Cooperative bank. Majority of the respondents were using agent banking services. They had used mobile phone and POS channel at the agent. The respondents preferred mobile phone channel to access cash withdrawal services, cash deposit services due to security while others felt that POS terminal was easier to adopt since it did not require registration in order to access the service. The less used services were loan disbursement, loan repayment and check book request.

The study concludes that accessibility to where one lived or worked as well as friendly service influenced the respondents in using agent services even though all the other factors were as important. Most of the respondents knew about agent banking services through mass media and associates and they would recommend a friend to use agent banking services.

5.4 Recommendations

The study recommends that banks should increase the footprint of Agent banking services since customers were ready to use them. The banks should also roll out various channels such as POS terminals, Mobile Phones as well as internet channels in order to give preference to customers. Each of the two channels under research; the POS terminal and Mobile phone; had their strengths. The study also recommends rolling out of more services under Agent banking platform since customers would readily adopt with proper communication of the same. Banks needs to educate customers through the mass media as well as through other forums in order to ensure rapid uptake of the service. This way, banks will be able to operate a low cost model in meeting their objectives.

5.5 Recommendation for Further Studies

This study has reviewed the adoption of agent services among residents of Kawangware area in Nairobi. To this end therefore a further study should be carried out to establish the challenges faced by the banks in operating the agent services as well as experiences in other markets and especially the rural and other urban set ups. For example, rural set ups where illiteracy levels are higher may have very different results from urban set ups and this may help banks in adopting Agent banking channels suitable for the semi-literate and hence enhance real financial inclusion.

REFERENCES

Beck, Thorsten et al (2005). *Reaching Out: Access to and use of Banking Services across Countries. World Bank Policy Research Working Paper No 3754.* Washington D.C: The World Bank

Bradley, Nigel (2007). *Marketing Research: Tools and Techniques:* Oxford University Press. Oxford

Central Bank of Kenya (1999). *Prudential Guidelines for Institutions Licensed under the Banking Act:* http://www.centralbank.go.ke/downloads/acts regulations/Banking Act.pdf

Christopher, P. Beshouri and Jon Gravrak (2010). *Telecommunication Practice: Capturing the Promise of Mobile Banking in Emerging Markets.* McKinsey & Company. Manila

Churchill, G.A and Iacobucci, Dawn (2005). *Marketing Research: Methodological Foundations, 9th Edition.* Thomson South Western. USA

Getembe, N. Kepha (2010). *The value of electronic money transfer system: A case study of Commercial banks in Kenya.* Unpublished MBA Project. University of Nairobi

Ignacio, Mas and Siedek, Hannah (2008). *Banking through Networks of Retail Agents. CGAP Focus Note No. 47.* Washington D.C.

Ivatury, G. and Timothy Lyman (2006). *Use of Agents in Branchless Banking for Poor. CGAP Focus Note No. 38.* Washington D.C

Ivatury, Gautam (2006). *Using Technology to Build Inclusive Financial Systems. CGAP Focus Note No. 32.* Washington DC: CGAP

Katy, Jacob (2005). *Retailers as Financial Service Providers: The potential and pitfalls of the burgeoning distribution channel. The Centre for Financial Innovation.* Chicago: IL

Kenya National Bureau of Statistics (2009). *Population and Housing Census.* Retrieved from http://www.knbs.or.ke/CensusResults/KNBS Brochure.pdf

Kothari, C. R. (2000). *Research Methodology: Methods and Techniques.* New Delhi: Wiley

Kumar Anjali; Nair Ajai; Parsons Adam and Urdapilleta Eduardo (2006). *Expanding Bank Outreach through Retail Partnerships: Correspondent Banking in Brazil.* World Bank Working Paper No. 85. Washington D.C: The World Bank

Lowrey, Tina M. (1991). *The use of Diffusion Theory in Marketing: A qualitative approach to Innovative Consumer Behaviour.* Advances in Consumer Research volume 18. Association of Consumer Research. USA.

Lyman, T., Pickens, M. and David Porteous (2008). *Regulating Transformational Branchless Banking.* CGAP Focus Note No. 43. Washington D.C.

Malhotra, N.K (2007). *Marketing Research: An applied Orientation.* New Delhi: Prentice-Hall of India

Moore, Geoffrey (1999). *Crossing the Chasm: Marketing and Selling high-tech products to mainstream customers.* Second edition. ISBN.

Ngigi, E. Nduta (2010). *Challenges of e-banking adoption: A survey of Commercial Banks in Kenya.* Unpublished MBA Project. University of Nairobi.

Njenga, J. Wambui (2010). *A study of online shopping adoption among University of Nairobi Evening Students.* Unpublished MBA Project. University of Nairobi.

Reserve Bank of India (2008). *Master Circular on Bank Authorization:* DBOD. No. BL.BC. 21/22.01.001/2008-09. India.

Rogers, Everett M. (1983). *Diffusion of Innovations, Third Edition.* New York: The Free Press.

Wiseman, W. Research Methods in Education (1995): *An Introduction. Sixth edition. Boston:* Allyn and Bacon.

APPENDICES

Appendix I: Introductory Letter

DAVID NDOME

P.O BOX 29415 - 00100

NAIROBI

TO WHOM IT MAY CONCERN

Dear Sir/Madam

REF: RESEARCH STUDY

I am a student studying for a Masters degree in Business Administration at the University of Nairobi. In partial fulfillment of the requirement to the award of a Masters degree, I am required to do course work and write a research paper. The topic of my research paper is on 'Adoption of Agent Banking Services: A case of Kawangware Area in Nairobi'

Bank customers in Kawangware Area will be the main focus of study. The choice is based on the fact that all the four pioneer banks in agent banking have already recruited agents in this area of Nairobi. I kindly request your assistance by availing time to respond to the interview. Any documentations, reports or journals that you may have that are relevant to this topic of study may be availed to me at your discretion. A copy of the final report will be made available to you at your request. Your assistance will be highly appreciated. Thank you in advance.

Yours faithfully

DAVID WANJAGI NDOME

Appendix II: Interview Guide

ADOPTION OF AGENT BANKING SERVICES AMONG RESIDENTS OF KAWANGWARE AREA IN NAIROBI - KENYA

SECTION I: DEMOGRAPHIC INFORMATION. FILL IN THE SPACES PROVIDED OR TICK APPROPRIATELY

Name

(Optional)...

Mobile Phone (Optional)...

Respondents Gender: Male ☐   Female ☐

Age bracket: $18 - 30$ ☐ $31 - 50$ ☐   Over 50 ☐

Education Level: Primary ☐   Secondary ☐   Tertiary ☐

SECTION II: USAGE OF AGENT BANKING SERVICES. FILL IN THE SPACES PROVIDED OR TICK APPROPRIATELY

a) What's the name of your Bank?..

b) Are you using Agent banking services?   Tick one.   Yes ☐   No ☐

c) If your answer above is No, explain why?..

....

d) What type of channel have you used at your agent? You may tick both.

POS Terminals ☐   Mobile Phone ☐

e) Of the two channels, which one do you **prefer** most? Tick one below.

POS Terminals [ ]   Mobile Phone [ ]   None   [ ]

f) What are the reasons for your answer above?...

....

g) Which of the following services have you used at the agent outlet? Please tick appropriately.

Type of service accessed	Yes	No
i. Cash deposit		
ii. Cash withdrawal		
iii. Mini statement		
iv. Balance enquiry		
v. Bill payment (Electricity, Water)		
vi. Third party deposits (Rent, School fees etc)		
vii. Account opening origination		
viii. Cheque book request		
ix. Loan disbursement		
x. Loan repayment		
xi. Any other service?...		

SECTION III: FACTORS INFLUENCING USE OF AGENT OUTLETS. PLEASE TICK APPROPRIATELY

    a) Which of the following factors **most** influenced you to use Agent outlets? Tick appropriately.

		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1.	Accessible to where I live or work					
2.	Cost effective service					
3.	Friendly service at Agent outlets					
4.	Fast service at Agent outlets					
5.	The service is secure					
6.	Open longer hours than branches					
7.	Shorter or no queues					
8.	Recommended by bank and associates					
9.	Acceptable by Landlord, School bursar etc					
10.	The Agents are Trustworthy					
11.	The spirit of adventure or trying something new					

SECTION IV: OTHER INFORMATION: FILL IN THE SPACES PROVIDED OR TICK APPROPRIATELY

    a) How did you get to **know** about Agent banking services?

        Mass media ☐   Bank Officer(s) ☐   Associates ☐

    b) Would you **recommend** a friend to use Agent banking Services?

        Yes ☐   No ☐

    c) If **no**, give reasons for your answer:……………………………………………………..

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

    d) Do you have any other idea, suggestion or observation you would like to indicate in relation to Agent banking?

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

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

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

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

Thank you for your cooperation