AGENCY BANKING STRATEGY AND CUSTOMER SERVICE: THE CASE OF KENYA COMMERCIAL BANK AGENTS

BY

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other University for assessment or award of a degree.

Signature.. Date.........12/11/12........

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This project has been submitted with my Approval as the university supervisor.

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DEDICATION

I dedicate this work to my loving Mother, Mrs. Milka Kwamboka Maeri for always believing in me, for seeing me through my education and for constantly encouraging me to strive for excellence. I love you and may God almighty continue to shower you with everlasting blessings.

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ABSTRACT

A study was carried out to establish the effect of agency banking strategy on customer service in Kenya commercial bank limited. The study had three objectives to achieve: To establish the various services offered by KCB "Mtaani" agents; to find out the relationship between agency banking strategy and customer service and to establish the strategies that can be used by KCB to enhance customer service.

The research adopted a descriptive design. Data was collected from KCB "Mtaani" agents operating within Nairobi and its environs through semi-structured questionnaires. The agents were sampled through purposeful or judgmental sampling due to the nature of their dispersion. The data collected was analyzed using means and frequencies and correlations. The findings were presented in tables.

It was established that agents perform several functions or activities on behalf of the bank. The functions include accepting cash deposits, effecting cash withdrawals, opening accounts for new customers and to some little extent issuing interim bank statements. There are some services that are however not common with the agents such as foreign currency transactions, issuing cheque books to customers and processing of loan applications.

The study also established that there is a strong link between the use of agency banking and customer service improvement. The respondents confirmed that the agents have greatly improved the level of customer service in Kenya commercial bank limited. The study recommended that KCB should look for ways of motivating the agents such as through the use of performance based bonuses. This will motivate them to work better thus improving customer service. It was recommended that this study can be replicated later to establish whether there are any changes in agency banking and customer service in banking.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In an increasing number of developing countries, branchless banking has been adopted in the last few years because it has the potential to provide financial services to low-income households who are not reached by traditional bank networks, especially those living in remote and rural areas. In June 2009, the Global System for Mobile communications Association (GSMA) claimed that almost 400 million people who currently not have a bank account could benefit from mobile financial transactions. Early experiences have shown that branchless banking through agents can significantly reduce set-up and delivery costs by offering cash-in/cash-out operations or a broader range of financial services to customers who usually feel more comfortable banking at their local merchants than at traditional bank branches (Lozano and Mandrile, 2010).

Agency banking has been necessitated by the need to provide affordable banking services to the unbanked, although the cost incurred by banks to service low value accounts and extending banking infrastructure to underserved and low-income areas is usually high. And the cost incurred by unbanked customers (in terms of time and expense) in reaching bank branches is usually high. To achieve financial inclusion therefore, will require innovative business models that dramatically reduce costs for everyone and thus pave the way to profitable extension of financial services to the world's poor.

Lehman (2010) supported agent banking by stating that financial services can only be delivered to a majority of unbanked households if the service providers (banks and telecommunication companies)use retail distribution channels to get closer to where the unbanked live and at a fraction of the cost of traditional banking. These retail agents who convert cash to electronic money (e-money) or convert e-money to cash are the human face of all agent banking systems. Therefore, when building, incentivizing, and managing a network of retail agents, providers must address the operational challenges in a way that fosters a positive and consistent customer experience that will create and maintain trust in the system.

1.1.1 The concept of agency banking

According to National Banking and Securities Commission (CNBV) of Mexico and the Alliance for Financial Inclusion (2012), "the agent banking model is one in which banks provide financial services through nonbank agents, such as grocery stores, retail outlets, post offices, pharmacies, or lottery outlets. This model allows banks to expand services into areas where they do not have sufficient incentive or capacity to establish a formal branch, which is particularly true in rural and poor areas where as a result a high percentage of people are unbanked."

In a growing number of countries, banks and other commercial financial service providers are finding new ways to make money delivering financial services to unbanked people. Rather than using bank branches and their own field officers, they offer banking and payment services through postal and retail outlets, including grocery stores, pharmacies, seed and fertilizer retailers, and gas stations, among others. For poor people, "branchless banking" through retail agents may be far more convenient and efficient than going to a bank branch. For many poor customers, it will be the first time they have access to any formal financial services—and formal services are usually significantly safer and cheaper than informal alternatives. Two models of agency banking through retail agents that are common include: one led by banks, the other by nonbank commercial actors. Both use information and communication technologies, such as cell phones, debit and prepaid cards, and card readers to transmit transaction details from the retail agent or customer to the bank (Invatury et al, 2006).

1.1.2 The concept of strategy

Business theorists and practitioners having understood the business strategic process as operating in a highly competitive environment have come up with various definitions of what a strategy is. Chandler (1962) defines strategy as "determination of basic long term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals. Quinn (1980) also defines strategy as a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive goal.

A strategy or general plan of action might be formulated for broad, long-term, corporate goals and objectives, for more specific business unit goals and objectives, or for a functional unit, even one as small as a cost center. Such goals might or might not address the nature of the organization, its culture, the kind of company its leadership wants it to be, the markets it will or won't enter, the basis on which it will compete, or any other attribute, quality or characteristic of the organization. Together, strategy and tactics bridge the gap between ends and means. Resources are allocated or deployed and then employed in the course of executing a given strategy so as to realize the end in view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them. Three levels of strategy are usually in existence enterprise level, business level and functional level (Nickols, 2011).

1.1.3 The concept of customer service

Customer service to a large extent refers to creativity in providing services to customers. Creativity allows an organization to handle or diffuse problems at hand or later on in the process of conducting the everyday business. Customer service therefore refers to what the organization has to do to gain not only the sale but also the loyalty of the customer. It enables the organization to know the payoff of a transaction both in the short and long term. Through customer service the organization is able to know what customers want and whether they are satisfied. Satisfaction on the side of the customer means that what was delivered to a customer met the customer's expectation and approval. Good customer service should delight the customer and provoke a repeat purchase (Walker, 2002).

According to Bielenberg (2006), customer service operations within large businesses are targeted with increasing customer revenues through cross- and up-selling, and enhancing loyalty by delivering a premium customer experience. These operations are typically measured on the quality of their service delivery using metrics such as average call waiting times, query handling and resolution and sales conversion rates among others. A well performing customer service operation is judged by its ability to meet or exceed service level targets. Poor customer service creates unhappy customers. And the unhappy a customer is, the more likely they are to delay or withhold payment or shift loyalty. This, in turn, inflates write-offs and bad debt, and impacts cash flow and working capital – ultimately destroying profits and shareholder value.

1.1.4 Kenya Commercial Bank

The history of Kenya Commercial Bank (KCB) dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank.

According to the Chief Executive Officer of KCB, the main aim of introducing the KCB "Mtaani" banking agency was to make the bank more accessible to the target market and to complement the other existing channels. By April 2011, KCB had a total of 500 agents in operation and the number was bound to increase to 2000 by the end of the same year (KCB, 2011).

1.1.5 KCB 'Mtaani' Agency banking

The KCB agent banking proposition was launched on 14 April 2011 setting the pace for the provision of formal banking services at the grassroots. It was aptly named 'KCB Mtaani', a development the bank hopes will assist in reaching over 9 million unbanked Kenyans who have the capacity to engage in profitable banking relationships but do not have access to the formal banking infrastructure. The bank initially began with a pilot phase with 30 agents for two months that recorded over 200 successful transactions and had plans to roll out services to 2000 agents countrywide by the end of year 2011. The bank has a target of attaining 5,000 operating agents spread across Kenya in a number of years. The main purpose is to give customers easy accessibility to banking services.

KCB Mtaani is a cost-effective way for the bank to expand its reach without the necessity to invest in brick and mortar and will allow the bank to leverage on its technology platform to provide innovative banking products and services to all. At the initial stage the agents were connected to the KCB agency banking platform through the KCB Connect and equipped with a telephone set to facilitate deposit taking and withdrawals. For this to happen agents need to open and fund an agent float account, which is a non-interest bearing account, with KES100,000. customers must also be registered with KCB Connect to be able to transact at agency outlets. KCB's long term vision is to link its agents with its core banking system through the internet banking proposition, point of sale terminals and predictive dynamic quoting PDQ machines to enable them undertake such services as balance enquiries, loan repayments and requests for cheque books and account statements. In a bid to increase the number of agents, KCB partnered with Post Office Corpotation (PCK) to offer agent banking services to KCB customers (KCB, 2011).

1.2 Statement of the Problem

Agency banking is a new banking model that is aimed at enhancing access to financial services by allowing small businesses to operate as satellite branches. This strategy which allows commercial outlets like shops and supermarkets to act in some capacity on behalf of formal banks is coming under pressure from increasing operational hurdles. Banks have indicated facing problems converting these outlets into what they would be comfortable to call outsourced banks.

It is believed that agency banking is one strategy that banks can use to achieve cost-savings, give more accessibility to customers and enhance customer service. Kenyan financial institutions have in the recent past embarked on an aggressive entry into the segment. But many are finding that agents lack capacity to handle large transactions of cash and under-spend on security measures.

A number of studies have been conducted on agency banking both internationally and locally. For instance Lozano and Mandrile, (2010) carried out a study on the New Agent Banking for Branchless Banking in Colombia. Alliance for Financial Inclusion (2012) also conducted a study on Agency banking in Latin America. In Kenya, Omumia (2010) studied in Post bank.

Enhancing Financial Innovation and Access (EFINA), (2011) also evaluated agent banking models in five countries: Colombia, Brazil, Peru, India and Kenya. Some of the key lessons observed by the Kenyan regulators from the study were the importance of involving key stakeholders, both from the public and private sectors, in any further development or roll out of a mobile financial services model; and the importance of prioritizing and coordinating the national financial inclusion agenda.

Otieno (2009) in his presentation to the Banking and Payment Technologies East Africa Conference indicate that it is time for financial institutions to share branch and agency networks using common platforms. Otieno further argues that the agency model will allow participating financial institutions to: offer basic transactional and information services to their customers; shared cost basis and potentially achieve significant cost savings.

To the best of my knowledge, no similar study has been done. This study therefore sought to find out how agency banking has affected customer service in Kenya Commercial Bank through the KCB "Mtaani" agency banking model. The study sought answers to the following questions: What services do KCB "Mtaani" agents offer to the customers? What is the relationship between agency banking and customer service? What strategies can be used by KCB to enhance customer service?

1.3 Research objectives

The study aimed to achieve the following three objectives

i. To establish the various services offered by KCB "Mtaani" agents
ii. To find out the relationship between agency banking strategy and customer service
iii. To establish the strategies that can be used by KCB to enhance customer service

1.4 Value of the study

The findings will assist potential researchers in this area in finding material for reference. This is a relatively new concept in Kenya and may attract more research in the future hence this study will be more beneficial.

The findings of the study will also assist banks to understand how agent banking impacts on customer service. The banks can also be able to understand the various strategies they can employ in order to enhance customer service through agency banking.

The government of Kenya will also find the study important especially in understanding the services that agents are able to offer to the public. This will assist the government to figure out the economic role performed by agents in the banking sector. The public in general will also learn more on agency banking and its relationship to customer service.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter reviews the various studies that have been conducted on agency banking around the globe. The chapter also looks at the issue of customer service in the banking industry. It also provides the conceptual framework that will assist the reader to understand the relationship between the independent and dependent variable in agency banking.

2.2 Strategy

There are several definitions of strategy: The early definition of strategy was provided by the American business historian, Chandler (1962) who defined strategy as determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals. In the context of construction, Channon (1978) defined strategy in term of the extent of diversification, international activity and acquisition policy. Mintzberg (1994) portrays strategy as a plan, a direction or a guide. Porter (1996) defines strategy as being different by deliberately choosing to do a different set of activities in order to deliver a unique mix of value. It involves to doing activities differently than the competitors in order to gain competitive advantage.

The concept of strategy has its origin in the military realm. The term *strategy* was formulated from a Greek word *strategeos* which means a "military general". The Greek Verb *stratego* means to put a plan in place for the destruction of one's enemy through effective utilization of resources. After the Second World War in 1945, the concept of strategy became more relevant as business firms moved from relatively stable to more turbulent and competitive environments. These rapid changes in the environment were attributed to application of science and technology in management of firms and accelerated change emanating from within business firms. Many authors including Michael porter have written about the concept of strategy since its inception Bracker (1980).

The strategic management process can be divided into three phases: The formulation phase is a strategy that aims at ensuring that organizations achieve their objectives (Certo and Peter, 1991). David (1997) stated that strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeovers and whether to enter international markets. He also added that strategy formulation phase comprises development of a mission statement, identification of external opportunities and threats, determination of internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing the best strategy to be implemented. Second is the implementation phase that initiates activities in accordance to strategic plans (Sharplin, 1985). This requires firms to establish objectives, devise policies, motivate employees, and allocate resources to execute formulated strategies. Certo and Peter (1991) stated that without the effective strategy implementation, organizations are unable to reap the benefits of performing an organizational analysis, establishing organizational direction, and formulating organizational strategy. Lastly, is the evaluation and control phase that requires information to be obtained on strategic performance and comparing it with existing standards.

The importance of a strategy in a firm can be answered by analyzing the relationship between strategic management and organizational performance. Generally strategic management practices can improve efficiency in various organizations (Bakar et al., 2011). A strategy is designed to effectively relate the organization to its environment internal and external environment. Bracker (1980) argues that the major significance of strategy is that it gives organizations a framework for developing abilities for anticipating and coping with change in the environment. Backer further indicates that a strategy helps an organization to deal with future uncertainty by defining goal accomplishing procedures.

For an organization to come up with a strategy, a number of steps have to be followed. Scribner (2007) suggests that the first step in the strategic management process is to get agreement not only to carry out the process but also to get agreement on how and when and by whom it will be carried out. Since the strategic management process is not a one-shot exercise, commitment to the longhaul is vital; without commitment, the exercise will be sterile and likely regarded as a waste of time. Who should be included in the strategic management process? At least three different types of individuals should be considered for inclusion: the organization's top decision-makers and those officials who will have direct responsibility in implementation of policy; those who have a major stake in the outcome of the policy, whether from within or outside the organization, whether supportive or oppositional, clients or resource suppliers; and those with specialized knowledge that can add to the analysis of the policy to be decided or implemented. Although relatively broad involvement in the process should be encouraged, care must be taken that such groups not be expanded to the point of incapacity to make agile decisions. How should the process be initiated? First, agreement to carry out and commitment to the process of strategic management must be obtained from one or more of the organization's key decision makers. Once such agreement and commitment is accomplished, then decisions about what should be considered and who should be involved can be addressed.

Once the various players are in agreement, the organization has to identify the mission, the objectives and the current strategies. All too often organizations develop a service or a product and then fail to periodically examine whether or not that product actually satisfies a demand or whether satisfaction of that demand actually matters. Who are the people that compose the organization, what are their values, and what needs does the organization satisfy for them? What are the objectives of the organization and how well do they mesh with the needs and demands of clients, stakeholders and constituents? What strategies does the organization employ to achieve the objectives it has set for itself? Is the organization being asked to make fundamental changes in what it does, or in the kinds of clients it benefits? If so, what are those changes? Brinkerhoff (1994) argues that the policy in question should be examined with respect to its compatibility with the organization's mission, objectives and strategy.

Identification of the organization's internal strengths and weaknesses is the next important step in the strategic development process. Analysis of resources by itself is not sufficient, the organization must also look at its task performance in order to what tasks it does well and which it does not. This will give a better idea of how the organization's resources are organized and how effectively those resources are put to use. An organization may well have excellent research skills, but if its primary tasks are in service delivery, then such skills may be more a weakness than strength. It is also important to address the strengths and weaknesses. This is followed by assessment threats of and opportunities such as political, economic, social, and technological changes will influence the direction and shape of an organization's policies and objectives. What are the major trends that can be detected in each of these areas that will have some bearing on the activities of the organization? (Scribner, 2007).

The next step is the identification of identification of key constituents and stakeholders, their expectations and resources. This is followed by identification of key strategic issues. Strategic issues are the principal problems that must be dealt with effectively or the organization can expect undesirable results. The effective treatment of strategic issues can signify fundamental change in how the organization goes about its business. Design, analysis, and selection of strategy alternatives and options to manage issues identified is very paramount. The second last step is to implement the strategies and finally do monitoring and evaluation of the performance (Kiggundu, 1996).

2.3 Customer service in the Banking Industry

A customer may be defined as someone who has a direct relationship with, or is directly affected by, your agency and who receives, or relies on, one or more of your agency's services or products. There are three principles that must be observed to achieve good customer service. The first principle is integrity. It is related to the intent or meaning behind one's actions. It requires service delivery that is impartial and professional, and advice that is frank, apolitical and based on comprehensive research that allows for objective decision making. The second principle is respect for customers that is demonstrated by treating them with dignity, fairness and sensitivity, according to their circumstances and specific needs. Accountability is the last principle and it is about fair and consistent decision making, where innovative solutions are sought and issues of confidentiality are respected (Government of South Australia, 2010).

According to European Financial Marketing Association and Peppers & Rogers Group (2010) the subject of customer service in retail banking has never been more important, never been more timely, and never been more essential to achieving and maintaining business success. Banks win by getting, keeping, and growing customers. How to get more customers, how to keep them longer, and how to increase the value of each individual customer—that is the critical challenge that must be met in order to grow organically. Overcoming that challenge starts with the realization that the quality of customers' experiences is key. They further argue that managing and monitoring the quality of customers' experiences with a bank continues to grow in importance. With every passing day, the financial savviness of customers increases, their choices for banking products and services proliferate, and their tolerance for inferior experiences diminishes. In this environment, the formula for success is simple and straightforward (but deceptively difficult): deliver exceptional customer experiences in order to improve getting, keeping and growing customers—a bank's most prized asset.

The level of customer service will determine the level of customer satisfaction. Customer satisfaction is buzzword today, everyone using this customer's satisfaction is affected by the importance placed by the customers on each of the attitudes of the product/ service. Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kevin Cacioppo, 1995 and Kumbhar, 2010). It is also feeling or attitude of a customer towards a product or service after it has been used.

According to Oliver (1980) satisfaction appears to mediate changes between pre-exposure and post-exposure attitudinal components. It is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior (Jamal & Nasser, 2002). When customers pay money to buy a service they have some minimum expectations from the transaction. These expectations from the purchase have to be met substantially, if not entirely for the customer to become a loyal customer of the service (Akbar and Parvez, 2009).

The government of South Australia suggests that there is need to understand the key elements of effective customer service.

2.3.1 Customer identification

It is important to seek direct feedback from customers by asking them what they need, want and expect, so that an organization can obtain an understanding of their priorities. This will assist the organization to gain insights into what they value from the service/product; this will enable more effective allocation of resources and services. This process of determining customer expectations will identify things that are both realistic and unrealistic for the public sector to provide. After identifying service improvements that can be reasonably provided, it is important to ensure they are in line with customer expectations (Government of South Australia, 2010).

2.3.2 Customer service strategy building

An effective customer service strategy puts the customer at the centre of the business and its corporate-planning process. A customer service strategy consists of a vision, an action plan, an implementation plan and the measurement of improvement (Government of South Australia, 2010).

2.3.3 Competitive recruitment

It is important to select employees who have the values and capabilities to meet customer standards. Clear, accurate job and person descriptions and thorough selection and induction processes that include assessment of values can assist in ensuring a good organizational fit. Using rewards and acknowledging staff for good quality service goes a long way toward improving service delivery and customer satisfaction. Where staff members lack experience and/or competencies in customer service practices and delivery, provision should be made for training, mentoring or coaching (Government of South Australia, 2010).

2.3.4 Customer service charter development

A customer service charter provides an opportunity to publicly document and pledge an agency's commitment to being a customer-focused organization. This statement is a form of mission, dedicated to customers. A charter may also state an agency's fundamental service principles, values, standards and feedback mechanisms. Service standards clearly outline the level of service a customer can expect when dealing with an agency or service provider. They are measurable indicators or levels that are agreed upon to ensure that products or services are of the desired quality. Standards may measure the outcome of the service or the process of giving the service. A good approach is to allow your customers to provide input on what their expectations are with regard to service standards. For example, a customer may expect that a voicemail will be returned within 24 hours - in this case, it is not necessary to commit to a service standard of returning a message within four hours. Service standards should be communicated to internal and external customers (Government of South Australia, 2010).

2.3.5 Policy and practice

Organizational policies and practices should be developed through consultation with many stakeholder groups. The expertise and opinion of our customers, commercial enterprises and the not-for-profit sector is to be valued and should not be ignored. The challenge for agencies is to develop partnerships that will allow customers to be heard and their expectations met. (Government of South Australia, 2010).

2.4 Agency Banking

A banking agent is defined as 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. Globally, these outlets are increasingly utilized as important distribution channels for financial institutions (Ignacio and Siedek, 2008).

Invatury et al. (2006) indicates that agency banking is a new distribution channel that allows financial institutions and other commercial actors to offer financial services outside traditional bank premises. They cite models of branchless banking other than agency banking such as Internet banking and automatic teller machines (ATMs) as modest extensions of conventional branch-based banking. They further argue that branchless banking through retail agents appeals to policymakers and regulators because it has the potential to extend financial services to unbanked and marginalized communities.

Agency banking has its origins in Brazil and Kenya where the most successful cases of agency banking have been identified. The Brazilian model is driven by the larger banks, such as Caixa Federal, Bradesco, and Banco Popular, and it uses more traditional card/POS terminals. Brazil now has 39,000 agents covering every municipality in the country, with whom customers can deposit, withdraw, and electronically transfer money from their accounts. The Kenyan model is driven by mobile operator Safaricom. It uses a menu-driven application on their customers' mobile phones (in their SIM cards, more specifically) to authenticate and facilitate transactions by both customers and agents. Only two years after its launch, Safaricom's M-PESA service now has over six million registered customers who can transact at almost eight thousand retail agents nationwide (Mas,2009). Banks in Kenya have also embraced agency with KCB, Equity and Cooperative bank venturing into agency banking.

Banking agents are usually equipped with a combination of point of sale (POS) reader, mobile phone, barcode scanner to scan bills for bill payment transactions, personal identification number (PIN) and sometimes personal computers that connect with the bank's server using a personal dial up or other data connection. Clients that transact at the agent use a magstripe bank card or their mobile phone to access their bank account. Identification of customers is normally done through a PIN, but could also involve biometrics. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel (Ivatury, 2006).

Banks in countries across the globe are increasingly using agents to provide financial services to customers. In Brazil, for example, banks use approximately 160,000 agents, many with multiple outlets used to provide financial services to all 5,564 Brazilian municipalities (Kumar and Seltzer 2011). In 2010, bank agents in Brazil handled 3.1 billion transactions (6 percent of all bank transactions), 2.85 billion of which involved the movement of funds (Febraban 2011). In Pakistan, there are approximately 17,500 bank agents (State Bank of Pakistan 2011). In the quarter ended September 2011, these agents handled 15.88 million transactions totaling Rs 58,710 million (US$674 million) with an average transaction amount of Rs 2,700 (US$ 42.53). These arrangements, which involve the use of both agents and technology to transmit transactions details, are often referred to as "branchless banking (Tarazi and Breloff, 2010).

The issue that perhaps needs to be addressed is the reason behind recent adoption of agent banking by a number of banking institutions around the globe. According to Invatury et al (2006) agency banking is one strategy that banks can use to achieve cost-savings, give more accessibility to customers and enhance customer service. Kenyan financial institutions have in the recent past embarked on an aggressive entry into this market segment. But many are finding that agents lack capacity to handle large transactions of cash and under-spend on security measures.

The need to reach millions of unbanked poor people around the globe who do not have access to mainstream banking is also among the main reasons why banks have embraced the idea of agent banking. According to the National Banking and Securities Commission (CNBV) of Mexico and the Alliance for Financial Inclusion (2012), agent banking is quickly becoming recognized as a viable strategy in many countries for extending formal financial services into poor and rural areas. In recent years, agent banking has been adopted and implemented with varying degrees of success by a number of developing countries, particularly in Latin America.

Still on the reason for adoption of agency banking, Tarazi and Bleroff (2011) argue that the major obstacle to financial inclusion is cost. Cost in this context refers to not only the cost incurred by banks in servicing low value accounts and extending banking infrastructure to underserved, low-income areas, but also the cost incurred by poor customers (in terms of time and expense) in reaching bank branches. Achieving financial inclusion therefore requires innovative business models that dramatically reduce costs for everyone and thus pave the way to profitable extension of financial services to the world's poor.

Even though agent banking has been identified as the most appropriate strategy of extending financial services to the poor and rural areas, the model has yielded different levels of results in different countries. "The regulation, design, and implementation of agent banking vary across countries. These differences are evident in the variety of services offered by agents, the types of businesses acting as agents, the types of financial institutions that work through agents and the business structures employed to manage them. These differences ultimately contribute to the disparities in the extent to which agent banking is actually bridging the financial inclusion gap According to the National Banking and Securities Commission (CNBV) of Mexico and the Alliance for Financial Inclusion (2012).

2.5 Strategy and customer service

The concept of strategy is very important in the area of customer service. There is need for an organization to develop a customer service strategy that can lead to better customer service. An effective customer service strategy puts the customer at the centre of the business and its corporate-planning process. A customer service strategy consists of a vision, an action plan, an implementation plan and the measurement of improvement. These steps are detailed below (Nickols, 2011).

The first step is to define the customer service vision. The customer service vision takes the agency's mission and views it from the customer's perspective. A successful vision should clearly indicate the particular services the agency will offer its customers. The vision should be communicated and endorsed across the agency for it to be shared and realized (Nickols, 2011).

The second step is to develop an action plan with a series of objectives that will assist in achieving the vision. The SMART approach is a straightforward way of developing objectives. Objectives should be: For each objective, a series of actions will be identified that gradually build the action plan so that it delivers on the objectives in the customer service strategy. In the action plan, you might also like to identify required resources (human, financial and material) and consider key performance indicators (KPIs). The action plan is the guiding document for the implementation phase of the customer service strategy (Government of South Australia, 2010).

The third step in this process is to implement the action plan. A commitment to quality service and improving service delivery requires accountability, responsibility, allocation of appropriate resources, clear time frames, measurement, effective communication, and reward and recognition for achievements. These elements of the implementation plan are essential to the overall success of the strategy (Nickols, 2011).

The last step is to measure for improvement. In order to improve service delivery it is important to understand how people rate your product/levels of service and to be aware of what they believe needs improvement. Appendix A provides guidance on how to measure customer satisfaction (Government of South Australia, 2010).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that the researcher employed in the study. The methodology included the research design, population of the study, sample size and sampling design, data collection methods and data analysis techniques.

3.2 Research design

The study adopted a descriptive research design in investigating the relationship between agency banking strategy and customer service in Kenya commercial bank. Descriptive research design allowed the researcher to study the elements in their natural form without making any alterations to them. The design also allowed the researcher to come up with descriptive statistics that can assist in explaining the relationship that exists among variables.

3.3 Population of the study

The population of the study included all the KCB agents in Nairobi. According to KCB zoning, Nairobi includes areas and towns such as Kiambu, Ongata Rongai, Kikuyu, Ngong and Kajiado. There were 475 agents within Nairobi region as shown in appendix II. These 475 agents were the population of focus in this study. This is where the sample was derived from.

3.4 Sample size and sampling design

Mugenda and Mugenda (2003) indicate that at least 10% of the population is enough for a research study. The researcher took 10% of the agent population as a sample size. This therefore led to a sample size of 48 agents who participated in the study. Since the agents were spread all over the Nairobi region, the researcher used purposive or judgmental sampling to identify agents that can easily be accessed.

3.5 Data collection Methods

Primary data was collected for the purpose of this study. Primary data is information gathered directly from the respondents (Kothari, 2004). The data was collected by use of a semi-structured questionnaire. The questionnaire was considered appropriate because it is easy to administer. The questionnaire was divided into four sections. Section A contained questions on the demographic information of the respondents while section B contained questions on the various services offered by KCB agents to customers; section C sought data on the relationship between agency banking strategy and customer service while section D contained questions on the strategies KCB can use to enhance customer service. The validity of the questionnaire was tested by use of content validity. The draft questionnaire was presented to managers in KCB who understood the agency banking strategy to give their comments on the relevance of the content. Their input was used to draw a final questionnaire. The reliability of the document was tested through a pre-test of the same. The questionnaire was administered to a few agents before the actual data collection. The responses were compared with the actual study and elicited same responses. The data was collected from owner managers of agency outlets or their appointees who understood the agency banking concept well. The questionnaires were administered through drop and pick method.

3.6 Data analysis

The researcher collected both quantitative and qualitative data. Two methods of data analysis were therefore adopted to enable the researcher conduct a comprehensive analysis. The descriptive data was analyzed using Statistical packages for social sciences (SPSS) while the qualitative data was analyzed through content analysis. Measures of central tendency, measures of variability and measures of frequency were used in conducting data analysis using descriptive statistics. Correlation analysis was also used to determine the relationship between agency banking and customer service. The findings from the quantitative data were presented in tables.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The aim of the study was to establish the effect of agency banking strategy on customer service in Kenya commercial bank. Data was collected from 44 KCB agents out of the targeted 48 respondents. This gave a response rate of 91.7% which was considerd sufficient enough for this study. The findings were interpreted and presented in the following tables.

4.2 Background of the organization

In this section, the researcher sought to find out the demographic information of the various agents who were involved in the study. Among the issues considered were the duration the agent had operated, average number of customers served daily and training on customer service.

4.2.1 Number of years in operation

It was established as shown in Table 4.2.1 below that 81.8% of the agency banking outlets had served or operated for less than one year. This is because agency banking is quite a new concept in Kenya and has not been in operation for a long time. Most of the people have not understood how the same operates. The 18.2% who have been agents for mor than two years seem to have taken advantage of the concept immediately it was introduced by the bank.

Table 4.2.1: Duration operated as agent

	Frequency	Percent	Mean
Less than a year	36	81.8	1.18
2-5 years	8	18.2	
Total	44	100.0	

4.2.2 Number of customers served daily

81.8% of the agents as shown in Table 4.2.2 indicate that they serve less than 5 customers daily on average. This is mainly due to low awareness on the operations or functioning of the agency banking strategy. The other reason could be proximity of agent outlet to customers posing fear of insecurity among the customers.

Table 4.2.2: Number of customers served daily

	Frequency	Percent	Mean
Less than 5 customers	36	81.8	1.34
6-10 customers	1	2.3	
More than 10 customers	7	15.9	
Total	44	100.0	

4.2.3 Training

The researcher sought to confirm wheter the bank provided them with training before they started operating as agents. The findings confirmed that respondents were very much in agreement that KCB provided them with training in customer care when they were bestowed with the responsibility to handle their customers.

4.3 Functions of Agents

The study sought to establish the various activities that are performed by the banking agents on behalf of the bank. Using a five point likert type scale where 1 meant vergy great extent, 2 meant great extent, 3 meant moderate extent, 4 meant small extent and 5 ment very small extent, the respondents gave their rating on the functions of agents and the findings are preseneted herebelow.

4.3.1 Accepting deposits

The results in Table 4.3.1 show that 45.5% of the agents agreed to a great extent that they accept deposits from customers, 43.2% to a very great extent and 11.4% to a moderate extent. On average according to the results, the KCB banking agents accept deposits to a great extent as supported by a mean score of 1.68 in the table below

Table 4.3.1: Accepting deposits

	Frequency	Percent	mean
Very great extent	19	43.2	1.68
Great extent	20	45.5	
Moderate extent	5	11.4	
Total	44	100.0	

4.3.2 Cash withdrawal services

The research sought to find out whether the agents also offered cash withdrawal services to the customers. The results in Table 4.3.2 show that 50% of the respondents offered withdrawal services to the customers. The findings imply that most of the agents agreed to agreat extent that they offer withdrawal services as can be supported by the mean score of 2.23 in the table below.

Table 4.3.2: Cash withdrawal services

	Frequency	Percent	Mean
Very great extent	7	15.9	2.23
Great extent	22	50.0	
Moderate extent	13	29.5	
Small extent	2	4.5	
Total	44	100.0	

4.3.3 Account opening

31.8% of the agents as shown in Table 4.3.3 said they only open accounts to a very small extent. This is could be attributed to low awareness of the availability of the service or the service is not needed by the customers. The mean score of 2.84 which tends towards 3 is an indication that most of the agents open accounts to a moderate extent.

Table 4.3.3: Account opening

	Frequency	Percent	Mean
Very great extent	10	22.7	2.84
Great extent	5	11.4	
Moderate extent	13	29.5	
Small extent	14	31.8	
Very small extent	2	4.5	
Total	44	100.0	

4.3.4 Issuing cheque books

The findings according to Table 4.3.4 indicate that 59.1% of the respondents issued cheque books to a very small extent, 22.7% to a moderate extent, 9.1% to a small extent, 6.8% to a vergy great extent and 2.3% to a great extent. On average, the findings confirm through the mean score of 4.11 that most banking agents issue cheque books to a small extent. The reason why this happens is due to the sensitivity of the service and the bank issuing them through its branchnetwork.

Table 4.3.4: Issuing cheque books

	Frequency	Percent	Mean
Very great extent	3	6.8	4.11
Great extent	1	2.3	
Moderate extent	10	22.7	
Small extent	4	9.1	
Very small extent	26	59.1	
Total	44	100.0	

4.3.5 Marketing bank products

The agents are also marketers for the bank's products in the area where they operate. Table 4.3.5 shows that 52.3% of the respondents do marketing of bank products to a very great extent, 36.4% to a great extent, 6.8% to a moderate extent 2.3% to a small extent and very small extent respectively. On average the findings confirm that most of the banking agents as indicated by a mean score of 1.66 do marketing of bank products to a vergy great extent. The marketing usually happens when potential customers call on the agents and they want to know more about the bank's products. The agents then have the responsibility of explaining to the customers on the various products that are available. In this way, the agents end up performing a marketing function on behalf of the bank.

Table 4.3.5: Marketing bank products

	Frequency	Percent	Mean
Very great extent	23	52.3	1.66
Great extent	16	36.4	
Moderate extent	3	6.8	
Small extent	1	2.3	
Very small extent	1	2.3	
Total	44	100.0	

4.3.6 Processing loan applications

According to results contained in Table 4.3.6, 40.9% of the respondents agreed to a vergy small extent that they process loans to a very small extent. This implies that either the bank has not given the agents the mandate to process loans or customers are not aware of that service offered by the agents. The mean score of 3.86 confirms that processing of loan applications is done by the agents to a small extent.

Table 4.3.6: Processing loan applications

	Frequency	Percent	Mean
Very great extent	3	6.8	3.86
Great extent	4	9.1	
Moderate extent	7	15.9	
Small extent	12	27.3	
Very small extent	18	40.9	
Total	44	100.0	

4.3.7 Issuing interim statements

The findings illustrated in Table 4.3.7 below show that 38.6% of the respondents issue interim statements to a very small extent, 27.3% to a small extent, 20.5% to a very great extent, 11.4% to great extent and 2.3% to a moderate extent. The mean score of 3.52 confirms that on average banking agents issue interim statements to a moderate extent. This implies that most of the agents do not issue interim statements.

Table 4.3.7: Issuing interim statements

	Frequency	Percent	Mean
Very great extent	9	20.5	3.52
Great extent	5	11.4	
Moderate extent	1	2.3	
Small extent	12	27.3	
Very small extent	17	38.6	
Total	44	100.0	

4.3.8 Foreign exchange transactions

It was also established that handling of foreign exchange transactions is not common among the banking agents as can be observed from the table of findings below. 63.6% of the agents handle foreign exchange transactions to a very small extent, 27.3% to a small extent, 6.8% to a great extent and 2.3% to a great extent. The mean score of 4.39

confirms that most of the banking agents on average, handle foreign exchange transactions to a very small extent. The main reason for this is that majority of the customers who visit these agents are locals who are more interested in local currency dealings. Most of the customers who need foreign currency transactions prefer visiting main branches of institutions offering the services so that they can negotiate better rates.

Table 4.3.8: Foreign exchange transactions

	Frequency	Percent	Mean
Very great extent	3	6.8	4.39
Great extent	1	2.3	
Small extent	12	27.3	
Very small extent	28	63.6	
Total	44	100.0	

4.3.9 Handling customer complaints

The researcher sought to know from the agents if they were involved in handling cutomer complaints at the agency level. It is clear that as illustrated in Table 4.3.9 below that 31.8% of the agents handle customer complaints to a great extent, 22.7% to a very great extent, 25% to a moderate extent, 13.6% to a small extent and 6.8% to a very small extent. On average, the mean score of 2.5 indicates that agents handle customer complaints to a great extent. It was however not clear on the level and nature of complaints that they were handling.

Table 4.3.9: Handling customer complaints

	Frequency	Percent	Mean
Very great extent	10	22.7	2.50
Great extent	14	31.8	
Moderate extent	11	25.0	
Small extent	6	13.6	
Very small extent	3	6.8	
Total	44	100.0	

4.4 Effects of agency banking on customer service

4.4.1 Reduced waiting time

It was evident from the findings in Table 4.4.1 that one of the most important outcomes of agency banking strategy is the ability of the same to reduce waiting time for customers. 45.5% of the respondents agreed that agency banking reduces waiting time, 34.1 strongly agreed to the same, 18.2% were not sure while 2.3% strongly disagreed. However the mean score of 1.91 confirms that most of the banking agents strongly agreed that agency banking leads to reduced waiting time. This is because in the conventional banking, customers had to travel long distances and que for long hours as they wait for services. The agents have made it possible for the customers to access the same service within a limited span of time and spare some more time for other meaningful activities.

Table 4.4.1: Reduced waiting time

	Frequency	Percent	Mean
Strongly agree	15	34.1	1.91
Agree	20	45.5	
Not sure	8	18.2	
Strongly disagree	1	2.3	
Total	44	100.0	

4.4.2 Efficient service delivery

The use of agents to provide banking services to majority of the unbanked population has also proved that it can greatly improve the level of service delivery in the banking industry. According to the results in Table 4.4.2, 56.8% of the agents agreed they have assisted in providing efficient services, 31.8% strongly agreed, 9.1% were not sure while 2.3% strongly disagreed. The mean response of 1.84 confirms that most of the agents agreed that they have assisted bring efficiency in service delivery.

Table 4.4.2: Efficient service delivery

	Frequency	Percent	Mean
Strongly agree	14	31.8	1.84
Agree	25	56.8	
Not sure	4	9.1	
Strongly disagree	1	2.3	
Total	44	100.0	

4.4.3 Customers make frequent use of agents

It was also established as shown in Table 4.4.3 below that 45.5% of the agents agreed that customers make frequent use of the, 29.5% strongly agreed, 20.5 were not sure while 2.3% disagreed and strongly disagreed respectively. The mean score of 2.02 implies that most of the agents agreed that customers make frequent use of them. This is therefore a good indication that agency banking is bound to grow in usage since it is currently a new concept and many people are yet to appreciate it fully.

Table 4.4.3: customers make frequent use of agents

	Frequency	Percent	Mean
Strongly agree	13	29.5	2.02
Agree	20	45.5	
Not sure	9	20.5	
Disagree	1	2.3	
Strongly disagree	1	2.3	
Total	44	100.0	

4.4.4 More personalized service

The study established that the agents are able to provide more personalised banking services to the customers according to a 1.64 mean score in table 4.4.4. This is largely due to the fact that they serve few customers and are therefore able to give them more attention while handling them. The agents are also part of the immediate community hence are able to provide better services to the people around them.They are also able to treat each person differently since they understand the people around them both in character and background.

Table 4.4.4: More personalized service

	Frequency	Percent	Mean
Strongly agree	22	50.0	1.64
Agree	18	40.9	
Not sure	3	6.8	
Strongly disagree	1	2.3	
Total	44	100.0	

4.4.5 Reduced banking service costs for customers

The greatest effect of agency banking strategy is perhaps the ability to reduce banking costs for customers. As mentioned earlier, agents have made it possible for customers to access banking services that were not available to most people. Table 4.4.5 shows that 84.1% of the agents strongly agreed that they have enabled customers to reduce banking service costs, 13.6% agreed while 2.3% strongly disagreed. The mean score for these findings was 1.23 which implies that most of the agents agreed that they have played a role in the reduction of banking service costs for customers. This is possible since the use of agency banking has drastically cut down the costs related to travelling and the time spent away from productive labour as one seeks banking services away from home.

Table 4.4.5: Reduced banking service costs for customers

	Frequency	Percent	Mean
Strongly agree	37	84.1	1.23
Agree	6	13.6	
Strongly disagree	1	2.3	
Total	44	100.0	

4.5 How to Improve Customer Service Through Agency Banking

4.5.1 Frequent training for agents

The agents were asked to indicate whether they think frequent training of the banking agents by KCB will in any way assist in improving the level of customer service. 77.3% of the agents strongly agreed that agents need frequent training while 22.7% agreed to the same. The mean score for these findings was 1.23 which implies that most of the agents confirmed that they strongly require frequent training. This therefore means that the bank has to invest more resources in training its agents so that they can provide better services to the customers.

Table 4.5.1: Frequent training for agents

	Frequency	Percent	Mean
Strongly agree	34	77.3	1.23
Agree	10	22.7	
Total	44	100.0	

4.5.2 Performance related bonuses

Agents like employees need some kind of motivation other than the commission earned from transactions made by customers. The study established from the agents that they would prefer the bank introducing performance related bonuses in order to motivate them to provide the best services to the bank customers as shown by a 1.39 mean score in Table 4.5.2. Performance related bonuses have worked well among employees of various organizations and may also be the next thing that will make banking agents to provide better services to cusomers since they know it will eventually lead to extra reward.

Table 4.5.2: Performance related bonuses

	Frequency	Percent	Mean
Strongly agree	27	61.4	1.39
Agree	17	38.6	
Total	44	100.0	

4.5.3 Revoking licenses for poor performers

The respondents were also specific on the consequences of poor performance from some of the banking agents. 59.1 % of the agents strongly agreed that licences should be revoked, 18.2% agreed, 11.4% were not sure, 6.8% disagreed while 4.5% strongly disagreed. The mean score of 1.8 confirmed that most of the agents strongly agreed that licences for poor performers should be revoked. This was an indication that the agents themselves are more committed to seeing that the agency banking strategy succeeds since it one way of earning them more revenue.

Table 4.5.3: Revoking licenses for poor performers

	Frequency	Percent	Mean
Strongly agree	26	59.1	1.80
Agree	8	18.2	
Not sure	5	11.4	
Disagree	3	6.8	
Strongly disagree	2	4.5	
Total	44	100.0	

4.5.4 Giving agents more roles

The researcher sought to know from the agents whetehr they would like KCB to give them additional roles to play in addition to what they are currently doing. The findings as tabulated in Table 4.5.4 below below testify that 50% of the agents agreed that they need to be given more roles while 47.7% strongly agreed that they need more roles. The mean score was 1.55 which confirms that most of the agents strongly agree that they need more roles. The main reason is propably to enable the agents perform more activities that can allow them earn more revenue from the bank.

Table 4.5.4: Giving agents more roles

	Frequency	Percent	Mean
Strongly agree	21	47.7	1.55
Agree	22	50.0	
Not sure	1	2.3	
Total	44	100.0	

4.5.5 Use of technology to link bank and agents

The use of appropriate technology to link the agents and the bank was found to one of the most important ways of improving the level of customer service. 77.3% of the respondents strongly agreed that the bank should use technology to link with them, 20.5% agreed while 2.3% were not sure. On average the agents strongly agreed that that the bank should use technology to link with them. This was confirmed by a mean score of 1.25 in the table below. This will enable them to provide instant services to the customers to avoid delays and complaints.

Table 4.5.5: Use of technology to link bank and agents

	Frequency	Percent	Mean
Strongly agree	34	77.3	1.25
Agree	9	20.5	
Not sure	1	2.3	
Total	44	100.0	

4.6 Relationship between agency banking and customer service.

The researcher carried out correlations to assist explain the relationship between agency banking and customer service. Table 4.6 below indicates that there is a negative correlation of -0.870 between frequent use of agents and reduced cost of banking. This is an indication that continued use of agents by customers led to decrease in banking costs to the clients. There was also a strong inverse relationship between efficient service delivery and reduced cost of banking. This means that as efficiency in service delivery increases, the cost of banking to customers reduces and the reverse is true. It was also observed that there was a moderate positive correlation between personalized service and frequent use of agents.

Table 4.6: Correlations

	Frequent use of agents	Efficient service delivery	Personalized service	Reduced cost of banking
Frequent use of agents	1.000	.403	.506	-.870
Efficient service delivery	.403	1.000	.512	-.895
Personalized service	.506	.512	1.000	.320
Reduced cost of banking	-.870	-.895	.320	1.000

4.7 Discussions

The findings of this study confirmed that there are various services that are offered by banking agents. These include: deposit taking; cash withdrawals; marketing of bank products; account opening and handling of customer complaints. Ignacio and Siedek (2008) also found this to be true when they indicated that banking is a retail or postal outlet contracted by a financial institution or a mobile network operator to process clients' transactions. They further argue that 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. The findings of this study also found out that agents are independent businesses that operate other businesses but partner with the bank to provide financial services. Ignacio and Siedek (2008) had also confirmed that banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices, and many more. Globally, these outlets are increasingly utilized as important distribution channels for financial institutions.

The study revealed that banking agents have assisted customers to incur less banking costs, provide more personalized banking services as well as reduce the waiting time for the bank customers. This is an indication that banking agents have assisted in improving customer service in the bank. Improved customer service is key in banking as confirmed by the European Financial Marketing Association and Peppers & Rogers Group (2010) who indicate that the subject of customer service in retail banking has never been more important, never been timelier, and never been more essential to achieving and maintaining business success. They further argue that managing and monitoring the quality of customers' experiences with a bank continues to grow in importance. With every passing day, the financial savviness of customers increases, their choices for banking products and services proliferate, and their tolerance for inferior experiences diminishes.

On the improvement of customer service among the banking agents, the study confirmed that training, use of cash rewards and withdrawal of agency licenses can be used as strategies of improving customer service among the agents. This position was also held by the Government of South Australia (2010) when they indicated that it is important to select employees who have the values and capabilities to meet customer standards. Clear, accurate job and person descriptions and thorough selection and induction processes that include assessment of values can assist in ensuring a good organizational fit. Using rewards and acknowledging staff for good quality service goes a long way toward improving service delivery and customer satisfaction. Where staff members lack experience and/or competencies in customer service practices and delivery, provision should be made for training, mentoring or coaching.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings of the study carried out to establish the impact of agency banking strategy on customer service in Kenya Commercial bank. The data that was used was collected from 44 agents of KCB in Nairobi and its environs. Conclusions were also drawn as well as recommendations made based on the findings of the study. The researcher has also made suggestions for possible research related to this topic.

5.2 Summary of Findings

The first objective of the study was to establish the various activities that are performed by Kenya Commercial Bank agents in Nairobi. The study established that the agents perform a number of activities. First and foremost, the agents link the bank in terms of deposit taking. The agents accept deposits from customers who hold accounts with the bank since they are nearer to the customers. Most customers prefer the agents because they can make deposits any time since they are no time limitations as is the case with conventional banking that operates within strict timelines.

The agents also effect cash withdrawals for customers who are in need of the service. Customers find it convenient since it saves then the cost of travelling to access the nearest automatic teller machines (ATMs) or bank branch. This service has also enabled many customers to withdrawal only what they need for use since they can be able to access the service any time and nearer to their places of residence.

The study also established that the agents perform the task of opening new accounts for customers. In the past opening of accounts was done at the branch and it used to take a number of days before it was authenticated. Now the situation has changed and the agents are able to provide this service to customers within their vicinity.

The agents also indicated that they handle various complaints that are brought to them concerning the products of the bank and other services. It was however not very clear on the type of complaints that they handle but most likely they handle complaints that are within their limit and service level agreements made between them and the bank. By handling complaints, the agents make it possible for the bank to provide better services to its customers.

It was however clear from the study that there are some other activities the agents rarely perform. Some activities such processing of loan applications from customers is rarely done by the agents. Though there are a few who indicated that they process, it may turn out to be mere collection of the loan application forms for onward transmission to the bank for processing. The agents also showed little activity in foreign currency transactions. This is largely due to the fact that most of the customers they serve are local people who may not be in need of such transactions.

The agents also scarcely issue cheque books to customers. It was not clear on the reason why this activity is scarce but it has to do with the sensitivity of the cheque books hence the bank may prefer to handle this activity without involving a third party. It was also established that the agents issue few bank statements to customers.

The correlations done indicated that there are a few positive or direct relationships between accepting deposits and effecting withdrawals. This is an indication that either of each activity increases or decreases as the other increases or decreases. This trend may require further investigation to establish why it does happen. There is also a positive correlation between accepting deposits and account opening. This can be due to the fact that some of the customers who want to deposit money may not be account holders hence the need for the agent to open an account for them before taking their deposits.

The agents were of the opinion that the bank needs to allow them to perform more functions than what they are currently doing. In order to improve customer service, the agents were of the opinion that the bank needs to find out ways of motivating the agents. The agents suggested that the bank can consider giving agents performance based bonuses as one way of motivating them. They also suggested that the bank can consider withdrawal of licenses for those agents who do not meet the required or expected customer standards.

The study established that agency banking has impacted positively on a number of customer service issues in the bank. One of the areas include the reduction of waiting time. The agents argue that they have largely assisted the bank to reduce the waiting time since they are able to serve customers faster than most banking halls. The other area where agents showed improvement is provision of personalized service to customers. They argue that they know the customers both in character and background hence the ability to give them personalized service.

5.3 Conclusions

The agents perform several functions or activities on behalf of the bank. The functions include accepting cash deposits, effecting cash withdrawals, opening accounts for new customers and to some little extent issuing interim bank statements. There are some services that are however not common with the agents such as foreign currency transactions, issuing cheque books to customers and processing of loan application forms.

It is also clear that the agents have assisted the bank to improve on various aspects of customer service such as, reduction in waiting time, provision of personalized service to customers, provision of fast services and reduction in costs associated with banking on the side of customers.

5.4 Recommendations

KCB should consider other ways of motivating the agents so that they can be able to provide better services to their customers. If they are properly motivated then they will commit themselves to provision of better customer services.

The bank should also invest more resources into the training programmes so that to ensure good and up to date trainings for the agents. The trainings will equip the agents with necessary knowledge that will be able to improve customer service.

Technology should be the main link between the bank and its agents. The bank needs to update its technology that links Point of Sale and the main banking system. This will enable the agents to provide real time services to the customers.

5.5 Suggestions for Further Research

Since agency banking strategy is new in Kenya, it will be important to conduct a comparative study on its impact on customer service in other countries and Kenya.

A study can also be carried out to establish the impact of agency banking strategy on bank profitability. It will assist the banks to understand how the strategy affects general bank profitability.

This same study can be replicated after some time to find out if agency banking is still able to make more improvements in customer service.

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APPENDICES

Appendix one: questionnaire

Introduction

This questionnaire has been designed to collect data on effect of agency banking strategy on customer service in Kenya Commercial Bank. The information provided will be treated with a high degree of confidentiality. Information provided will be solely used for academic research purpose.

SECTION A: Demographic information

1. Location of agent
....

2. Date of registration...

3. Duration operated as an agent..

4. Average number of customers served daily...

5. Did you receive any training on customer service from KCB before starting to operate as an agent? Ye[ ]

No [ ]

SECTION B

To what extent do you offer the following services to KCB customers?

Use the scale of

1. Very great extent (VGE)
2. Great extent (GE)
3. Moderate Extent (ME)

4. Small extent (SE)

5. Very small extent (VSE)

No.	SERVICES	1	2	3	4	5
1	Accepting deposits from customers					
2	Effecting withdrawals on behalf of the bank					
3	Opening accounts for new bank customers					
4	Issuing cheque books to customers					
5	Marketing bank products to customers					
6	Processing loan applications					
7	Issuing interim bank statements					
8	Handling foreign exchange transactions					
9	Dealing with customer complaints					

SECTION C

To what extent do you agree with the following statements concerning the relationship between agency banking and customer service?

Use the scale of:

1. Strongly agree

2. Agree

3. Not sure

4. Disagree

5. Strongly disagree

	RELATIONSHIP BETWEEN AGENCY BANKING AND CUSTOMER SERVICE	**1**	**2**	**3**	**4**	**5**
1	Agents have reduced waiting time for customers					
2	There is efficient service delivery from agents					
3	Customers are making frequent use of agents					
4	Customers appreciate the idea since the service is more personalized					
5	Agents have assisted customers to reduce the cost of seeking banking services					

SECTION D

To what extent do you agree with the following statements concerning the strategies that can be used by KCB to enhance customer service?

1. Strongly agree

2. Agree

3. Not sure

4. Disagree

5. Strongly disagree

STRATEGIES FOR ENHANCING CUSTOMER SERVICE					
The bank needs to frequently train its agents on customer service					
Performance related bonuses to agents can improve customer service					
Revoking of licenses for poor performing agents should be done by the bank					
The bank should give agents more roles to play					
Technology should be used to link the agents with the bank					

Appendix II: List of KCB Agents Sampled in Nairobi

Agent Name	Location	Telephone
ABUNDANT LOGISTICS KAWANGWARE 56	KAWANGWARE 56	254703563525
ABUNDANT LOGISTICS LTD KIBERA	Kibera	254703563529
Abundant Logistics-Kawangware	Abundant Logistics	254715941085
Abundant Logistics-Kawangware	JAMUHURI SHOW GROUND	254719651980
ACTION AUTO REPAIRS	Action building,Mbotela,Likoni rd.	254703472430
AGAPE GROWERS LIMITED	UCHUMI HOUSE	254706514705
AGNES NYAMBURA KANYUA	KARIOBANGI SOUTH	254706336663
ALMOFAH BLESSED SHOP	KAMUKUNJI STAGE MARKET	254700026123
ALPOINT SUPPLIERS	CROSS ROAD	254705579906
AMAZON TELCOMS	RONGAI	254712111872
AMINA JOHN KINGOINA	EMBAKASI	254725560020
ANNE CHARITY WANJIRU	GITHURAI-KIAMUMBI	254719759905
ANNE WANGARI IKONYA	Limuru town	254705482760
ANTHONY JOSHUA GITAU	Ndumberi	254714705169
APSCOPE LIMITED	APSCOPE LIMITED	254723249846
BEAUTY CREATIONS LIMITED	RIVER ROAD JASMINE BUILDING	254704646036
BEMAT INVESTMENTS LIMITED	MLOLONGO	254713953065
BENMA HARDWARE	OPPOSITE KITENGELA CLINIC	254704642253
BERNARD MUTIE MULI	GITARU	254722412789
BIG & BEST BUSINESS CENTRE	Centenary Hse,Westlands	254705214260
BRENTWRICH AGENCIES &	Zambezi	254725791706

ASSOCIATES		
BRENTWRICH AGENCIES & ASSOCIATES	REGEN MUTHIGA	254706167838
BRENTWRICH AGENCIES & ASSOCIATES	KIKUYU	254720374572
BUSHTECH ENTERPRISES	KAYOLE - SPINE ROAD	254700485747
BUSIMU HERBAL MIX CLINIC	KAWANGWARE NAIVASHA RD	254707556910
CALMWA SUPPLIERS	NOONKOPIR - KITENGELA	254710616088
CAVY AGENCIES LIMITED	CAVY AGENCIES LTD	254720374569
CENTOIL LIMITED	MOUNTAIN VIEW - WAIYAKI WAY	254719346078
CHAZMAZ SOLUTIONS LIMITED	ACCRA ROAD	254705940526
CHEFAT ENTERPRISES	Wakabula building,Kamukunji	254704117960
CHEVALOS BEAUTY & BOTIQUE PALOUR	LUNGA LUNGA RD	254703472433
CHINGA HARDWARE	Githurai 45	254704424858
CHIRA NAOMI WANJIRU	TINGANGA KIAMBU	254716799704
COJUANCO STATIONERS LIMITED	Trishul Towers	254705170428
COMPLIANCE TECHNOLOGIES LTD	ONGATA RONGAI, MIRICHO	254720375276
CRATIC ENTERPRISES	Latema Rd.CBD	254703472431
DANIEL WAINAINA NJUGUNA	Soko,Limuru	254705952598
DAVID MBURU MUNGAI	KABIRIA ROAD	254705517355
DIGITAL AFRICA SERVICES IMITED	KENYATTA MARKET	254705635129
DIGIVILLE COMMUNICATIONS	DANDORA PHASE 2	254706243253

DOLIP MOBILE SOLUTIONS LIMITED	GITHURAI 44	254707392875
ELIZABETH WANJIRU NDEGWA	PIPELINE	254706192932
ELIZABETH WARUKIRA KIORIA	MUINI PLAZA	254704727008
ELIZAPAL AMPLIANCES	Kandisi,Rimpa Rd	254705782996
ELIZAWA AGENCIES	KAYOLE MIHANGO	254707402897
Esaki Limited	Esaki Limited	254702245837
ESTHER WAMBUI CHEGE	KARAI	254706356200

Source: Kenya Commercial Bank Retail list, 2012