

**EFFECT OF AGENCY BANKING SERVICES ON CUSTOMER  
SATISFACTION: A CASE OF KENYA COMMERCIAL BANK  
AGENT SYSTEM IN ONGATA RONGAI, KENYA**

**BY**

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## DECLARATION

This Project Report is my original work and to the best of my knowledge, it has not been presented in this or any other University for the Award of a Degree.

Raphael Owino Patrick Eden

L50/77731/2012

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Signature

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Date

This Project Report has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

This Project Report is dedicated to my son, Michael and my wife, Milcah Nganga, for instilling in me love, patience and whose support, encouragement, strength, determination, knowledge, wisdom, patience and love has propelled me in this endeavor.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ATM</b>	Automated Teller Machine
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>EFInA</b>	Enhancing Financial Innovation & Access
<b>KCB</b>	Kenya Commercial Bank
<b>KYC</b>	Know-Your-Customer
<b>MFI</b>	Microfinance Institution
<b>POS</b>	Point-of-Sale
<b>PCs</b>	Personal Computer
<b>SPSS</b>	Statistical Package for Social science
<b>CBK</b>	Central Bank of Kenya
<b>IEBC</b>	Independent Electoral and Boundaries Commission
<b>USA</b>	United State of America

## **ABSTRACT**

This study sought to analyze effect of agency banking services on customer satisfaction, with bias to Kenya commercial Bank, Ongata Rongai. Kenya Commercial Bank has been aggressive in fulfilling its financial objectives and remaining competitive in the market via regional expansion, and seeking to create a holding company, among other strategies such as mobile banking, agency banking, corporate responsibilities (KCB safari rally), among these strategies, the bank is keen on creating agent banking system in various areas as a strategy to decongest the banking halls, widen its market and to enhance client proximity hence taking the financial services closer to the clients. Despite these worthwhile efforts, the usage of agency has been slow and some clients in these targeted areas prefer to get the service from other sources like 'Mpesa' outlets, hence further intensifying the paradox. The aim of this study is to assist in formulating effective and efficient policies by not only KCB bank but also by other stakeholders in the banking sector in Kenya. The main objective of the study will be to identify; Effect of Agency Banking Services on Customer Satisfaction in Ongata Rongai under the Kenya Commercial Bank, Rongai Branch.

A sample of three hundred and eighty-one respondents (381) was used in the study from the target population of over 50,000 customers. A self-administered open and closed ended questionnaire was utilized in collecting data from the field. Data collected was analyzed using descriptive statistics (frequencies and percentages) and inferential statistics (Pearson correlation). The findings was then be presented in the form of tables indicating that majority of them were females with 52.4% accounting for 163 respondents against male 148 respondents, representing a percentage of 47.6%. 31.8 % respondents termed convenience as excellent, while 57% rated the service value as satisfactory, yet still 20.6% respondents rated responsiveness excellent and 32.8% of respondent acknowledged product (service) quality as satisfactory. This information shall be useful to the government, commercial banks and other stakeholders interested in this strategy.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The world bank,(as cited in Ounza, 2012) estimates that there are over 7000 microfinance institutions in the world offering services to more than 16 million people in the developing continents, others have innovated the use of branchless banking: mobile banking, automated teller machine(ATM) ,point of Sale(POS),and now agency banking outlets. By so doing they reach a wider scope of clients, reduce their transaction costs, increase access to financial services by the poor in remote areas while making use of ICT.

The recognition by the government of Kenya on the role played by ICT on the development of the economy lays the basis of agency banking, and is an imperative part in the implementation of the vision 2030, which is the country's blueprint for development. The main key goal of the vision is to promote Kenya to be one of the top investment destinations in Africa by 2030, which is to be attained by the three pillars of this vision: social, economical, and political pillars. Financial growth is covered in the economic pillar which targets wider reach of the unbanked Kenyans and attaining GDP of 10% per annum (vision 2030). The banking sector aims to achieve this through innovations (ICT) and use of 'branchless banking'.

Ounza (2009) notes that a number of firms or organizations both governmental and non-governmental organizations are evolving towards the use of information and communication technology (ICT) in their operations, which are characterized by work across geographical boundaries, real time transactions, less shelf life of goods and the use of personnel in different regions for the same services and it unbolt opportunities which in turn transform the efficiency and effectiveness of organizations. Further to explain this is the influence it has had on education in colleges and universities, my experience on processes such as recruitment, learning, applications, payment,, library operations, meetings, lecturers, and workshops are done using the new innovations in ICT for effective performance of management functions like planning, leading ,control ,organization, and motivation.

Peng (2008), notes that firms use ICT Innovations as corporate strategies that assists in the focusing of the overall picture rather seeing the 'forest' instead of trees, which would basically refer to business level strategy. Some of the contents of corporate strategy would involve diversification, acquisition, corporate governance, corporate social responsibility and structures and learning.

Diversification which is either product related or unrelated, is the channel through which agency banking as being pegged (product diversification) subsequently it affects a firm's performance in reducing risks and synergy.

According to Johnson and Scholes (2003) this is the direction and scope in which an organization over a period of time- could be long or short- equips an organization to use its resources effectively in a particular changing environment and fulfilling stakeholders' expectations. A company's strategy consists of the business methods and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. The success of every organization is determined by its responsiveness to the customer needs. Some of the building blocks of strategy include spreading risks, clarity of vision, implementation, distinctiveness, values, and sustainability (Katua, 2012).

There is the need for an organization to respond appropriately so as to mitigate risks, but most importantly to not miss any opportunity for business; agency banking is an innovation that a competitive financial institution wouldn't want to miss given the complexity and changing character of customers.

This project intends to find out the effect of agency banking services on customer satisfaction; case of Kenya commercial bank, Rongai Branch.

### **1.1.1 Inception of Banking**

Bank activities in the world, can be marked out from the year 1694 with the founding of the bank of England. It was started by a small number of individuals who were in fact money lenders with an aim of lending money at interest. While in Kenya, banking started in the year 1896 with the National Bank of India opening its first branch. Standard Chartered Bank opened its first branches in Mombasa and Nairobi in January 1911. The Kenya Commercial Bank was established in 1958 as a result of Grindlays Bank of Britain merging with the National Bank of India. The Cooperative Bank of Kenya was established in 1965 for the express purpose of providing financial services to Co-operative societies. Three years later, National Bank of Kenya (NBK) was incorporated (Ojung'a 2005). There is about one Automated Teller Machine (ATM) for every 100, 000 people in Kenya according to a paper presented at a South African university by Central Bank of Kenya (CBK) official. Currently, there are 43 commercial banks for 33 million Kenyans. Banks have largely implemented service delivery technology as a way of augmenting the services traditionally provided by bank personnel.

The Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company, 9 deposit taking microfinance institutions, 7 representative offices of foreign banks, 106 foreign exchange bureaus and 2 credit reference bureaus during the quarter ended September 30, 2013. The sector registered improved performance with the size of assets standing at Ksh. 2.62 trillion, loans & advances worth Ksh. 1.52 trillion, while the deposit base was Ksh .1.91 trillion and profit before tax of Ksh. 92.5 billion as at 30th September 2013.(Central Bank of Kenya,2013)

### **1.1.2. Agency Banking**

The agency banking model which was launched in 2010 continued to contribute to increased access to banking services. As at 30<sup>th</sup> September 2013, CBK had authorized 13 commercial banks to offer banking services through third parties (agents). Since 2010, a total of 21,816 agents had been contracted facilitating Over 69.2 million transactions valued at Ksh. 366.8 billion. In comparison with June 2013, 13 banks had been authorized and had contracted 19,649 active agents, which facilitated over 58.6 million transactions valued at Ksh. 310.5 billion. The number of banking transactions undertaken through agents increased from 10.2 million registered in the quarter ending June 2013 to 10.6 million transactions registered in the quarter ending September 2013. However, the value of banking transactions undertaken through agents decreased from Ksh. 60.4 billion to Ksh. 56.3 billion over the same period, (Kenya Monthly Economic Review, July 2013). Agent banking refers to the delivery of financial services outside conventional bank branches and that entails the use of non-bank retail outlets that rely on technologies such as point-of-sale (POS) terminals, or mobile phones, for real-time transaction processing. 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,(Central Bank of Kenya, July 2013).

### **1.2 Statement of the Problem**

Banking services for a long time have been known to be characterized by long queues and low turnaround time ,as seen in many banks in recent past, for example in national bank, post bank, and Kenya commercial bank. These slow operations often resulted in long queues, high costs, wastages, due to paper protocol and bureaucracy making it hard for timely services. Therefore any form of

improvement to enhance efficiency in the banking sector is very much welcomed through the adoption of new technology.

The consultative Group to Assist the poor,(CGAP,2006) defines branchless banking(agency banking) as the delivery of financial services outside conventional bank branches making use of information and communications technologies(point of sale, mobile phones,) and non-banks retail agents such as shops ,pharmacies, supermarkets and retail outlets .

Agency banking is a new strategy commercial banks are employing to increase their market share and offer banking services to their clients in varied places. Implementation of such strategies results both from the need to reduce the cost of delivering service primarily through personnel and the corresponding need to meet the challenge posed by technologically innovative competitors (Byers and Lederer, 2001; Howcraft and Beckett, 1996; Kelley, 1989). Changes in the banking industry such as those resulting from deregulation, rapid global networking, and the rise in personal wealth have thus made the implementation of sophisticated delivery systems (e.g. online and telephone banking, remote site automated teller machines, etc.) a strategic necessity in many cases (Lewis et al., 1994).

Since its launch in 2010,agency banking has contributed to the economic growth of Kenya, according to CBK, the number of banking transactions undertaken through agents increased from 10.2 million registered in the quarter ending June 2013 to 10.6 million transactions registered in the quarter ending September 2013. Despite report by CBK about increase in agent activity however through observation its uptake in KCB agent outlets in Ongata Rongai as remained low, the rate of acceptance by clients in Ongata Rongai has not communicated what is indicated by the CBK report. Some of the benefits from agency banking is low operational costs, improved efficiency, effectiveness of operations and the customer benefits from the close proximity to service outlet, without going to the branches, and faster services,no queues. However observing the branch, it is still characterized by queues in banking halls and minimal advocacy of agency banking by customers. KCB bank has endeavored to remain competitive in the market via regional expansion, and seeking to create a holding company, among other strategies such as mobile banking, agency banking, corporate responsibilities (KCB safari rally),among these strategies, the bank is keen on creating agent banking system in various areas as a strategy to decongest the banking halls, widen its market and to enhance client proximity hence taking the financial services closer to the clients. Survey conducted by KPMG in Africa,(2013) 99 percent of respondents said that they still use branches,however ATM's are becoming important in african banking systems; 85% respondents say they use ATM's and saying that they use them on weekly basis compare to Despite these worthwhile

efforts, by the method of observation in Ongata Rongai, the usage of agency has been slow and some clients in these targeted areas prefer to get the service from other sources like ‘Mpesa’ outlets, hence further intensifying the paradox. This study seeks to study the effect of agency banking services on customer satisfaction due to the varied reasons given above as why there seems to be low agent activity in relation to the customers. This topic has not been widely researched before in Kenya, Wanjugu,(2012) did a study on Factors influencing Access to Agency Banking, while Kyalo,(2012) studied the Factors affecting customer’s willingness to Adopt Mobile Phone Banking at National Bank and Kirimi,(2011) did a study on the Extend of Implementation of Agency Banking.

### **1.3 Purpose of the Study**

The study intended to establish the effect of agency banking services on customer satisfaction in the banking sector, more specifically in Ongata Rongai, Kajiado North under the Kenya Commercial Bank Agents in the same region.

### **1.4 Objectives of the Study**

The main objective of the study was, to identify effect of Agency Banking Services on Customer Satisfaction in Ongata Rongai under the Kenya Commercial Bank, Rongai Branch.

- 1) To determine the effect of convenience of agency banking services on customer satisfaction
- 2) To establish the effect of service value on customer satisfaction in agency banking services.
- 3) To establish the effect of service responsiveness on customer satisfaction in agency banking services.
- 4) To establish the effect of service quality on customer satisfaction in agency banking services.

### **1.5 Research Questions**

1. To what extent does convenience of agency banking services has effect on customer satisfaction?
2. How does service value affect customer satisfaction in agency banking services?
3. How does responsiveness contribute to customer satisfaction in agency banking services?



4. To what extent does service quality influence customer satisfaction in agency bankingservices?

### **1.6. Significance of the Study**

The management of Kenya Commercial Bank Ltd will be able to know the challenges that affect customer satisfaction with agency banking and come up with measures to mitigate them, thus maintaining competitive advantage over other competitors.

The financial institutions will also be able to implement innovative and competitive strategies and capabilities, which in turn will enable such firms to outperform each other for the benefit of the customer, in this case when two ‘bulls’ are fighting, the ‘grass’ benefits greatly, so I shall encourage this fights for the sake of the customer.

The study shall have an academic value to those interested in agency banking studies with the aim of establishing better operations of the same so as to attract customers and ‘remove’ them from or rather decongest the banks, create jobs for many Kenyans, reduce the cost of financial transaction and inclusion in Kenya on the customers, participate in achieving the vision 2030 economic pillar, of increased financial services and inclusion to many Kenyans. They will be able to relate the goings in the market with this study.

This study shall be of value to the government, since it shall form an invaluable source of reference especially to the ministry of finance and central bank of Kenya, when coming up with policies to guide on the improving agency banking model within the financial institutions, since it is relatively a new concept that is about to realize its full potential if handled effectively and efficiently.

### **1.7 The Delimitation of the Study**

This study was carried out at Kenya Commercial Bank in Ongata Rongai, in relation to customer satisfaction influence on agency banking services to their customers in Nairobi, Kenya. The reasons for this choice were, it is within commuting zone to the capital city Nairobi, it had a cosmopolitan population which meant it would give a representative pattern of customer behavior, it had student population staying within due to existence of colleges and universities in the locale, and there existed several major banks within the area such as KCB Bank, Barclays Bank, Family Bank, Kenya Commercial Bank, Cooperative Bank and Family Bank.

### **1.8 Limitation of the Study**

First, the study was to be restricted to current clients of KCB banking agents in Rongai Branch. Secondly The sample size was also to be limited by the limited resources which are likely to affect the robustness of the results, third not all the respondents were expected to participate in the study, fourth some of the respondents were not willing to divulge information however this was to be mitigated by offering assurance of the purpose of the study and the confidentiality involved therein and finally using one branch would not give the overall picture of the effect of agency banking services on customer satisfaction this was to be mitigated by having a wider questionnaire that can capture the overall reaction as much as possible.

### **1.9 Assumptions of the study**

Some of the assumptions held were, first, the variables used in the study were constant; the variables would not change over the period of research. Secondly that the responses given were acceptable, the Kenya Commercial Bank had a big market share in Ongata Rongai, compared to the other banks, and finally that the Kenya Commercial Bank had been given authority by the regulator(CBK) to operate Agency Banking and adopts the use of technological advancement.

## 1.10 Definition of Terms

<b>Convenience</b>	The state of been suitable or opportune in relation to time and situation.
<b>Service quality</b>	This includes basic needs of performance,delivery time,features of the service or product,and can be controlled by the service or product provider.
<b>Service value</b>	The benefit the customer gets from the service or product in comparison to its cost,serving diverse populations,understanding cusomers,and value based service.
<b>Responsiveness</b>	To be measured on three areas ,speed of service,sensitivity to customer concerns,and awareness of changes in general needs of customers.
<b>Customer satisfaction</b>	Customer satisfaction is a person's feeling of pleasure or isappointment resulting from comparing a product's perceived performance in relation to his or her expectations.
<b>Institutional culture</b>	The customs, rituals, and values shared by the members of KCB Bank, that has to be accepted bynew members and perpetuated by Institutional indoctrination, actions, and leadership.
<b>Regulations by CBK</b>	Regulations and Guidelines issued by the Central Bank of Kenya subject Banks to certain requirements, restrictions and guidelines. This regulatory Structure creates transparency between banking institutions and the Individuals and corporations with whom they conduct business, among other things.

### **1.11. Organization of the Study**

This research is to be organized into five chapters; the first chapter is to deal with introduction/background of the study, objectives, research questions and relevance to our society. The second chapter is to illustrate with the use of related literature on the objectives, as captured in the conceptual framework, while the third chapter is to indicate the design methodology of the study highlighting research population, sampling design, sampling procedures, issues of validity and reliability, ethical considerations, and operationalization of variables. The fourth part of this research is to deal with presentation, analysis, discussion of the study data or findings in regard to effect of agency banking services on customer satisfaction and finally in chapter five, gives the conclusion and recommendation of this study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Banking is a predominantly customer oriented business, subsequently it is imperative to evaluate the customer satisfaction ,an aspect which is becoming increasingly popular in this age(Eggert,ulaga,2002) and bringing about changes in different fields. It increases the revenues of research companies and also enables financial institutions to position themselves well in the market segment. Ravald and Gronroos (1996), says that evaluation or measure of customer satisfaction equips the institution with the ability to predict the intentions to re-buy service or product. It therefore posits that customer satisfaction measurement ought not to be done for its sake or documentation sake but to entail strategies in managing customer-bank relationship towards success.

Mattura,(1982) states that the relationship between banks and customers seems to be separate from all others due to it's; first, unique financial products, which is at the supplier's control even after sale and secondly the relationship is heavily dependent on trust , basing on the amount of information involved and the risks assumed during operations.

According to studies done by Westlund and Fornell, (1993) an attention-grabbing observation is made in regard to how Customer satisfaction interaction with manufacturing and service sectors. In the manufacturing field customer satisfaction improvements interact towards profitability in a positive way, while for service companies the impact on return on assets (ROA) demands a balancing productivity and customer satisfaction to reach the best overall effects on profitability. The studies by westlund and Fornell, (1993) give a pointer to the impact of customer satisfaction on profitability, ROA, stock market performance, and productivity.

Oliver, (1980) in his research, illustrates customer satisfaction as the feeling or attitude of a customer towards a product or service after it has been used, in other words it is meeting in full, one's expectation. Unsatisfactory service rendered can affect the ability to convince another client about the services; subsequently it leads to a drop in customer satisfaction which can affect the productivity of the bank negatively, (Levesque, 1996).

Codatte (1987) makes an argument that a customer develops norms for product performance based on product general experience rather than from brand's performance, determine the confirmation or disconfirmation process. However it is good to note the nature of a human customer which is always

complex, since it is always changing times, preferences and priorities and does not remain static(Rajkamal,2008),this is one of the reasons that it is imperative to always conduct customer satisfaction measurement from time to time. In other nations middle-size companies, and public sector measure customer satisfaction of their products and services, through customers satisfaction indices (CSIs) seen in United States of America (American customer satisfaction index, ACSI), Sweden (Swedish customer satisfaction index, SCSi) and Germany (Deutsche Kundenbarometer, DK) even in United Kingdom(National Customer Satisfaction Index-UK) this enables companies to also benchmark with industry peers and best performing companies in the market and also assist marketers to know the driving factors in satisfaction and loyalty to their companies. it can be summarized as a cause and effect linkages whereby the customer expectations, quality are on one end and the customer complaints are on the end of the linkage

In Europe the use of indices was initiated at the beginning of 1999 (Westlund et al, 1998) so as to enable wide-ranging study on the interlinks between customer satisfaction, economic and financial data. Survey done on African banking customer satisfaction during June and December 2012 but released in April 2013 by KPMG, that focused on perceived quality of customer services delivery by the bank customers across 14 countries in Africa(Kenya included) it sought to find out the perceptions of customers with respect to services using the customer satisfaction index(CSI) which is simply a weight score on convenience, customer care, transactions methods, pricing and products and services. The general findings by KPMG was that several financial institutions had made gains despite the increase in commodity prices ,the reason to this could be that there was increase use of technological advances such as ,Mpesa, automated teller machine(ATM), branchless banking, influx of international banks, deregulations across the continent, expansion of African banks, increase in competition by African banks which was changing the customer preferences, expectation and demands . Customer Focus: In Angola Banco Privado Atlantico was selected as the most customer focused bank, while in Nigeria GTBank took the lead followed by Zenith and Stanbic ,and in Kenya, the leading Bank in customers focus was CFC Stanbic followed by Kenya Commercial Bank, Ecobank, Cooperative and Post Banks respectively. The findings about mobile usage in Kenya was that About 33 percent of respondents in Kenya indicated that they use mobile payments and 40 percent of these respondents, use this service once in every two weeks and the majority of these users are high-income earners, with every 3 in 10 respondents in this category using this channel several times a week. Surprisingly, 47 percent of respondents within the 21-30 age group only use mobile payments once a month compared to 37 percent of those within the 41-55 age group that use this service once every two weeks,(KPMG,2013).

### **2.1.1 Evaluation of Agent Banking Models in different Countries**

In Colombia, from August 2010 to July 2011, collections (of utility bill payments) have made up the majority of transactions (around 1.8 million in July 2011), followed by mandatory payments such as loan repayments and official government payments, such as tax (over 800,000 in July 2011). There have usually been more withdrawals made than deposits, but the numbers of these two transaction types are consistently close. The numbers of credit applications, money transfers and opening of savings accounts are negligible. In terms of the value of transactions, deposits and withdrawals constitute the two highest transaction types (both were around US\$180,000 in July 2011), followed by mandatory payments and collections. Money transfers had the lowest value (consistently averaging around US\$20,000 per month); (CGAP, 2011). In Brazil in 2008, agents transacted 75% of the volume (agents made 1.6 billion transactions) and 70% of the value (agents transacted a total of US\$105 billion) of total bill payments (Banco Central, quoted in CGAP, 2010); In Brazil, rural agents transact more deposits and withdrawals as a percentage of total transactions (38%) than their urban counterparts (8%) (CGAP -FGV-Planet, quoted in CGAP, 2010); In Brazil, although permitted to offer several types of services, less than 30% of agents actually handle bank accounts. Most specialise in receiving bill payments, which account for approximately 75% of all agent transactions (47% of which are utility bill payments). Withdrawals and deposits account for 12.6% and are nearly equally divided into savings and current accounts (including simplified accounts). Only 0.16% of transactions are account opening and 7.3% are government transfers (CGAP, 2010c); In Peru, agents carry out approximately 3.8 million transactions per month (45 million transactions in the year); In Peru in 2010, less than 50% of the total financial system transactions were conducted through traditional bank branches: ATMs and POS terminals accounted for 36% of total transactions (SBS & CGAP, 2010); In India, an average of 8.4 deposits and 3.1 withdrawals were carried out by individual FINO (a technology firm and one of the first pioneers of agent banking in India) agents each day in 2010: with 10,000 agents nationwide we can assume that approximately 84,000 deposits and 31,000 withdrawals are carried out each day. The average deposit size was Rs. 175 (US\$3.50) and the average withdrawal size was Rs. 368 (US\$7.39) per agent so we can assume that approximately Rs 15 million (US\$301,000) worth of deposits and Rs. 11 million (US\$221,000) of withdrawals are being processed each day (CGAP, 2010f); and In Kenya, MNOs' combined total transactions through mobile payments amounted to Ksh 2.45 billion (US\$24 million) per day or Ksh 76 billion (US\$75 million) per month (Central Bank of Kenya, 2011).

### **2.1.2 Regulatory Framework of Agency Banking In Kenya.**

November, 2009, the Kenya government made improvements to the banking act, so as to include provisions on the usage of agents-agency banking- by financial institutions. This was due to the fact that the central bank of Kenya was regulating this model of using agents to transact on behalf of commercial banks on case by case basis, thus the need to make a regulatory framework of operation (Central Bank of Kenya, 2013). The amended law states that, “agency” is an “entity contracted by financial institution and approved central bank of Kenya to provide the services of the institution on behalf of the institution, in such a manner as may be prescribed by the central bank.”(Finance bill, 2009). This enhances the use of third party agents by banks to provide banking services and also enhance the customer satisfaction by banks in face of increased competition in this sector. The central bank reserves the right to regulate implementation and operations of this model as law demands, banks also need to obtain annual approvals from CBK after submitting particular agents, their names, locations, commercial activities and a sample contract.

Dias et al,(2010) notes in their study, that branchless banking affects different sectors of life for example ; In Kenya, M-PESA provides money transfer services and the equivalent of a small balance transaction account to more than 12 million customers through cell phones and a network of over 16,000 agents, by now its approximated to be handling over 36 billion daily in transaction inclusive of other modes of transactions. In Brazil, over 170,000 agent points, such as pharmacies, deliver a wide array of services on behalf of banks, processing approximately 2.5 billion transactions a year. Wal-Mart Bank in Mexico is using 1,000 Wal-Mart stores (totaling 18,000 points of sale) as agents to offer its clients financial services, including deposits and payments. These are not isolated examples, but rather evidence of how transformational branchless banking is rapidly changing the access to finance landscape. Giving unbanked and underbanked people the opportunity to access a full range of needed formal financial services could be a significant step toward more equitable and efficient financial markets.( Dias et al, 2010).

### **2.1.3 Role of Agency Banking in Economic Growth.**

The growth of technology in the developing countries as led to the creation of agency banking which is an entity contracted by an institution e.g Equity Bank(Equity Mashinani),Kenya Commercial Bank(KCB Mtaani),Post Bank(BenkiYangu) Cooperative Bank(Co-op KwaJirani), and approved by central bank of Kenya to offer the services of the institution, (Central Bank Of Kenya, 2010). Some of the entities are partnerships, societies, cooperative societies, state corporations, sole



proprietorships, partnership as granted by central bank of Kenya. CBK also bars Non –Governmental Organizations (NGOs), educational institutions and Forex bureaus as acting as agents.

Agency banking does improve the economics of the respective institutions in comparison to institutions' branches, particularly in focus to poor clients who need low-balance accounts and high transactions,(Podpiera,2008)

According to Gardener,(2000) setting up agent cost 2% to 4% of the cost of branch cashier, still when operating at optimum level the cashier accrues 78% in fixed costs per transaction unlike 11% for POS enabled agents. Acquisition costs and know your customer (KYC) costs are lower compared to branch operations. KPMG survey,(2013) and Tower group, Fiserve/M-Com Data (2009)shows that transactional cost from branch as \$4,call centre as \$3.8,ATM as \$0.9,mobile as \$0.1 meaning that the cost of operations is lower in the using other channels other than the bank branches. The transaction cost for clients is pegged on reduced travel by clients especially in rural Africa where one has to travel over long distances (kasekende, 2008).

## **2.2. Concept of Customer Satisfaction**

Quinn, (2003) defines a customer to mean the recipient to which a product or service is intended for, or anyone who receives that which is produced by an organization. From this we can then deduce that the citizens are the customers of the government, students are the customers of institutions and shoppers are the customers of retail or wholesale shops. The challenge however would be, according to Walker ,(2004) the continuous changing character of the customer expectations over time which seeks new products, services that can satisfy their needs, while institutions find it difficult to move with this 'moving target' ,due to other concerns or targets such as bottom line, quarterly results, costs, and staff turnover.

Satisfying the customer is a priority in most businesses; banking, manufacturing, retail, wholesale, pharmaceutical, hospitality, and media industries all target greater share of the market, this therefore means that they have to focus their efforts on attracting the customers. Satisfied customers will market for the firm by providing positive word of mouth recommendation to friends and relatives but most importantly are likely to come back again-repeat customers (Kotler et al, 1996). It would be important to describe the nature or character of service industry at the onset, Cooper (1998), notes that the service product is intangible, meaning, that it cannot be easily evaluated or confirmed in advance of its use, it varies with situations and that services are heterogeneous in the manner that they are not the same each time they are executed. From this we can see the nature of service industry as a

complex one yet it has a profound impact on service quality a customer experiences. So as to understand customer satisfaction, it would be important to describe it; Gronroos (1990 ) as cited in katua, (2012),describes customer satisfaction as encompassing customer expectations and perceptions, while Kotler et al, (1990) notes that, it is how well the product or service meets the customer's expectations. Thus Customer satisfaction is the most important issue in customer oriented business, and this emanates from a comparison process between the customer expectations and the perceived performance, If the perceived worth shall meet or surpass the customer's expectations, and then the customer shall be seen as been well satisfied or delighted by the product or service, while if the perceived worth doesn't meet or exceed the customers perception then s/he will not be satisfied. Crompton and MacKay,(1989) adds another angle to this; terming it a psychological outcome which comes from an experience which has expectations on one hand, informed by one's past experience, word of mouth, needs, price and on the other hand, perceptions informed by total experience of cost, service delivery, needs meet, risk involved, customer's mood .

While Gandhi (2013) says, banks world over are constantly confronted with growing regulatory costs and increasing demands for greater fairness and clarity in their interactions with customers, consequently due to this, many banks have changed their focus to their most important stakeholder-customer, on how to access and impress her through quality service, customer service, new product such mobile banking, internet banking otherwise known branchless banking.

Juran's (1989) quality concept of, 'fitness for use' was focused on acknowledging the importance of how beneficial a particular service or product is to the customer.It takes the user-based approach to quality in achieving customer satisfaction. Survey done by temporal and trout (TARP) in 2001 gave some of the reasons why companies lose their markets; customer move to other places or die 4%, poor handling of customer complain 68%, customer search for more competitive price 9%, customer shifting to competitor brand was at 5%, this tell us where the customer focus on most, that they are easily convinced rather they value how they are treated at the point of contact with the service or product provider(Khristianto et al 2012).

### **2.3 Convenience on Customer Satisfaction in Agency Banking**

According to Rifkin,(1994) entails how consumers in the united states of America in southern California, have embraced concept of convenience in banking as initiated by union Bank inside selected supermarkets operated by Ralph's Grocery company. This means convenience for customers and profitability for the banker,shoppers at mega stores,groceries can conduct banking at their

convenience. Study conducted in the USA found out 63% of US adults would have bank account due to convenience, subsequently globally banks are becoming more innovative as per another study commissioned by Infosys and conducted by Efma, surveyed 148 banks in 66 countries, the study revealed that as global economy recovers many banks are turning to innovations as means of raising revenue, cutting costs thus creating convenience for the customer (Teller Vision, 2014). In Africa the case for convenience would arise based on cost of building, unsteady incomes, unemployment, distance to bank branches and maintaining branches in rural areas thus the need to adapt low-value, high volume transactional environment with numerous points of access. (Financial Services Survey in Nigeria, 2010). Berger, (1998) emphasize that agents offer similar services as banks which range from cash deposits, withdrawals, disbursement, loan repayment, salary payment, transfer of funds, mini bank statements, balance inquiry, cash payment of bills and cash deposits. The existence of a banking services within a location like a village, estate has a positive effect on business investment, women access to savings and income. (Dupas and Robinson, 2011).

Survey conducted by KPMG in Africa, (2013) 99 percent of respondents said that they still use branches, however ATM's are becoming important in African banking systems; 85% respondents say they use ATM's and saying that they use them on weekly basis. Alternative channels have also attracted customer participation for example point of sale (POS) enjoys 69% usage while mobile banking in Kenya has topped 50% usage, conclusion is that the acceptance of the new innovations across Africa is still slow in most or some markets.

#### **2.4 Service-Value on Customer Satisfaction in Agency Banking**

Cronin and Taylor, (1992) in their analysis of the causal relationship between quality, customer satisfaction, and purchase intention found that service quality was an antecedent of consumer satisfaction, consumer satisfaction had significant effect on purchase intention. In analysis this then means that high service and customer satisfaction results in high level of purchase intentions. Wolfson, Tavor, and Mark, (2012) says that the heart of service is in the value it gives to the stakeholders. The sustainability of service has two dimensions of core value; which is the fundamental nature of that service and super value; replacing other solutions by a more appropriate one. For example when one to travel he has choice of using train, 'bodaboda', taxi or doing it by self. Shifting the service boundary direction either to self –service or super service will effect changes in the resource arrangement and effort of running the change however it may not change the service core business, (Campbell, Maglio, Davis, 2011) This is to say that when the Kenya Commercial Bank is effecting change in using agent banking to its clients this doesn't affect the banks core values but will

affect resources being used to effect the change. Both the service provider and customer have to be responsible in discharging this relationship for example the customer is expected to have in mind his/her economic, social, political, ecological state while the provider has to outline the areas being covered by the service. (Wolfson, Tavor, & Mark, 2012).

## **2.5 Service Responsiveness on Customer Satisfaction in Agency Banking**

Study done by Parasuman, Zeithaml and Berry, (1985) on service quality established ten parameters (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles) but later research by them established five key areas from the ten; tangibles, reliability, responsiveness, assurance and empathy. Result found out that the five ranked in this order; reliability, responsiveness, assurance, and empathy but according to Johnston, (1995) identified responsiveness as the vital service quality factor. Bitner, Booms and Tetreault, (1990) identified employees willingness to respond to problems and employee responsiveness to customer needs as key to service delivery. Thus objectives of responsive banking shall cut customer waiting time, real time, recency, irrelevancy, reduce transaction time, cut costs and wastes through reduction in idle time, wastes and inefficiencies. The intention of responsive banking is to help prevent loss of customers by elimination of inefficiencies. This is better elaborated by KBC Group CEO, Johan Thijs during a press and analyst conference in Brussels, (Johans, 2012) giving the way forward; “KBC 2013 and beyond”, The macroeconomic environment, competitive landscape and regulatory situation and outlook remain challenging. Everyone needs to adapt. KBC is passionate about being the reference in bank-insurance in its core markets. After a thorough review, we decided at the Executive Committee to update our strategy. By building further on the strengths of the KBC group, our integrated bank-insurance business model which continued to perform through the cycle, and our skilled and professional employees, we enhanced our strategy by making clear business choices, optimizing the organizational structure of our group (taking into account the divestments and derisking /deleveraging of recent years) and committing to a clearly defined corporate culture. Our goal is to become more agile and efficient and thus more competitive. In doing so, we will not only adapt to changing client behavior but will also meet the legitimate expectations from society as a whole.’ (Johans, 2012). KBC group gave its strategy for 2013 and beyond in six points: local responsiveness aimed at building relationships between the bank and customers in retail, SME and midcap clients, by creating improved banking and insurance, to focus on core banking and insurance products and services, defines its core market; Belgium, Czech Republic, Hungary, Slovakia, and

Bulgaria, mobilisation of cross border cooperation,implement new organisational structure and committed to the group culture.

## **2.6 Service Quality on Customer Satisfaction in Agency Banking**

Ever increasing deregulation, re-regulation, competition and changing technology ,leads to changes in the financial institutions(Mcleod,1992) this forces institutions to improve on quality of products, Imdadul,(2013) notes that banks are forced to differentiate themselves from time to time in the process to deliver better products and services and he terms this as service quality. Others like Vuk, (2012) in his study on quality indicators, illustrate the existence of structural indicators, process indicators and outcome indicators to give the tripartite scope of quality to constitute quality in totality.

Parasuraman et al (1985, 1988), states that service quality can be identified through functional quality dimension: tangibility, reliability, responsiveness, assurance, empathy. which intends to identify gaps in an organization from service expectation till service delivery; the first gap is about the service providers not knowing the expectations of the customers toward the service, the second gap is that the service provider does not know the standard as per the customer and final gap is customers expectation about the service and the perceived service. Vuk,(2012) could have had the same understanding on quality with Haywood-Farmer (1988) when the latter also mentioned earlier about classes of quality; Physical facilities, Processes, people behavior and Professional judgments compared to Vuk's structural indicators, process indicators and outcome indicators.

Gronroos,(1984) singles out offers technical and functional model in which he illustrates technical quality (outcomes that consumer gets from service organization), functional quality,(how service is provided) and company image(the brand image on the consumers) as prerequisite for an institution's service quality.

Most researchers have used SERVQUAL and Gronroos models in different aspects of business environment. Parasuraman et al,(1985,1988) initially did studies to develop service quality attributes of ten; tangibility, reliability, responsiveness, competency, courtesy, communication, credibility, security, access and understanding the customer ,which was later developed into five areas as mentioned above: tangibility ,reliability, responsiveness, assurance and empathy and based on the this five dimensions SERVQUAL was developed. It has been used to access various organizations on service quality based on the customers' expectations and perceptions. Johnstone,(1995) criticize this method that it is not meant to work across industries since it is just one single instrument (he found

eighteen areas that customers need focus on: access, aesthetics, attentive/helpfulness ,availability, care, cleanliness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality ,integrity, reliability, responsiveness and security. Cronin and Taylor,(1992)conducted study across industries of banking, pest control, dry cleaning and fast foods and found out the five dimensions was not confirmed.

Juran,(1986) upon observing what was going on in the various industries in Japan (manufacturing,service,) such as crisis in quality,inadequacy to deal with it even by the management, led him to develop the trilogy of quality which begins from quality planning that involves the process for preparing to meet goals during operations,then to quality control stage that involves meeting quality at operations in accordance with quality plan. Finally the last stage of quality is quality improvement which ought to result into unprecedented levels of performance. This can be compared vis a vis the financial sector:

KPMG survey, (2013) on products and services most respondents were keen to have their banks improve on product and support in nine out of 14 countries. Seventy percent said that they did not feel assisted to understand their banks products and how to access them while 10% admitted being satisfied with the way their banks delivered services.

## **2.7 Theoretical Framework**

### **2.7.1 Stimulus Organism-Response Theory**

Mattila, (1999),notes that the way to understand how individual behavior is impacted or affected by the physical environment is the stimulus-organism-response theory, this is the basis of the Pavlov's dog experiment where he uses an unconditional stimulus of food to trigger an unconditional response of the salivating dog consequently he associates a conditional response of ringing of the bell with food, mostly this can also be seen in the hospitality environment, however it can apply to all ,for example at work (internal customers) it will determine the culture in use which in turn can affect customer service, therefore the physical environment acts like a stimulus, customers are organisms that respond to the stimulus, and behavior directed towards the environment by customers is a direct response to the stimulus.

### **2.7.2 Disconfirmation Theory**

Ekinci and Sirakaya,(2004)agrees with the definition of Oliver,(1988) that satisfaction is the guest fulfillment response, it is a judgment that a product or service feature or product or service itself,

provided a pleasurable level of consumption-related and levels of under –or over –fulfillment. Mattila, et al(2003) argues that satisfaction connected to the size and direction of disconfirmation experience occurs as result of comparison between performance and expectations. This theory which was developed by Oliver in 1977 and 1980 seeks to explain the post adoption satisfaction as a function of expectations, perceived performance and disconfirmation believes.

### **2.7.3. Innovation Diffusion Theory on Technology Adoption**

Mercer and Pattanayak, (2003) states that adoption can be based on the rate and extent of adoption whereby the rate is premised on percentage of adopters and extent premised on level of use of the new technology. The innovation diffusion theory by Rogers has been employed in studying individuals technology adoption whose main goal is to learn the key elements of adoption(time, communication, and social systems) on individuals' behavior perceptions regarding advantage, compatibility, social norms, and complexity of the technology. Thulani,Tofara, and Langton, (2009), states in their study, that the evolution of banking technology has been manifested by changes in distribution channels as evidenced by automated teller machines(ATM),phone-banking, Tele-banking, PC-banking ,internet banking, agency banking (Chang, 2003). Customers adopt new technology in the order of innovators, early adopters, early majority, late majority and lastly the laggards (Bryce, and Neal, 1943). In Zimbabwe the visible innovation of machines began in 1990 ,when standard chartered bank installed automated teller machines, this is well established in Kenyan banks as a way of reaching customers in different locations of the country –electronic funds transfer, agency banking, ATM, POS, mobile banking, internet banking- it enhances the capability of managers and customers dealing with innovations.

Kazi,(2013), states that service in organizations are meant to boost consumer service value and delivery by reducing expenses and that Banks have been receptive on this front for technological development in the financial service.

## **2.8 Models of Branchless Banking and challenges**

### **2.8.1. Bank focused model**

Kapoor,(2010) explains that this model emerges when a traditional bank uses non-traditional low-cost delivery channels so as to provide banking services to its customers. This kind of operations include mobile phone banking, internet banking, to automatic teller machines(ATMs').

This model could offer advantages like, more control, branding visibility to the customer and financial institutions respectively. To counter its challenge of personalization banks offer easy use interface, which is has been made secure with the help of multi-factor authentication.(Kapoor,2010).

### **2.8.2. Bank led Model**

This is whereby a bank delivers its banking services through a retail agent, this implies, that the bank develops products and services but distributes them to retail outlets who handle customer interactions. The banks thus become the ultimate provider of financial services and are the institution which holds the customer accounts (Lyman, Ivatury and staschen, 2006). According to state bank of Pakistan,(2011) this kind of model ;operating in hard to reach areas and dangerous like insecure parts of northern Kenya, lack of expert training, lack of physical security ,poor adoption of the model by clients. However in spite of all this challenges , Lyman, Ivatury and Staschen, (2006)say in their study that it promises to increase the financial services outreach by using different delivery channels like chain stores, shops, pharmacies ,supermarkets, kiosks, and would be significantly cheaper than the bank based and bank branch alternatives.

This is related to this study since agency banking is bank led model since we want to find out the factors influencing customer satisfaction in agency banking given the many risks involved, which according to Kumar,(2004) are in five categories of risks: credit risk, operational risk, legal risks, liquidity risk and reputational risk.

### **2.8.3 Non-Bank led Theory**

Kumar, (2004) states that in this neither model customers don't deal with a bank nor do they maintain a bank account however they deal with non-bank firms either mobile network companies or prepaid card issuers. The customers are exchanging their cash for e-money stored in a virtual e-money account on the non-banks server and is not linked to a bank in the person name, (Kumar et al,2006). Some of the risks it faces are such; as anti-money laundering and counter terrorism financing.

### **2.8.4 Risks and Challenges in Agency Banking**

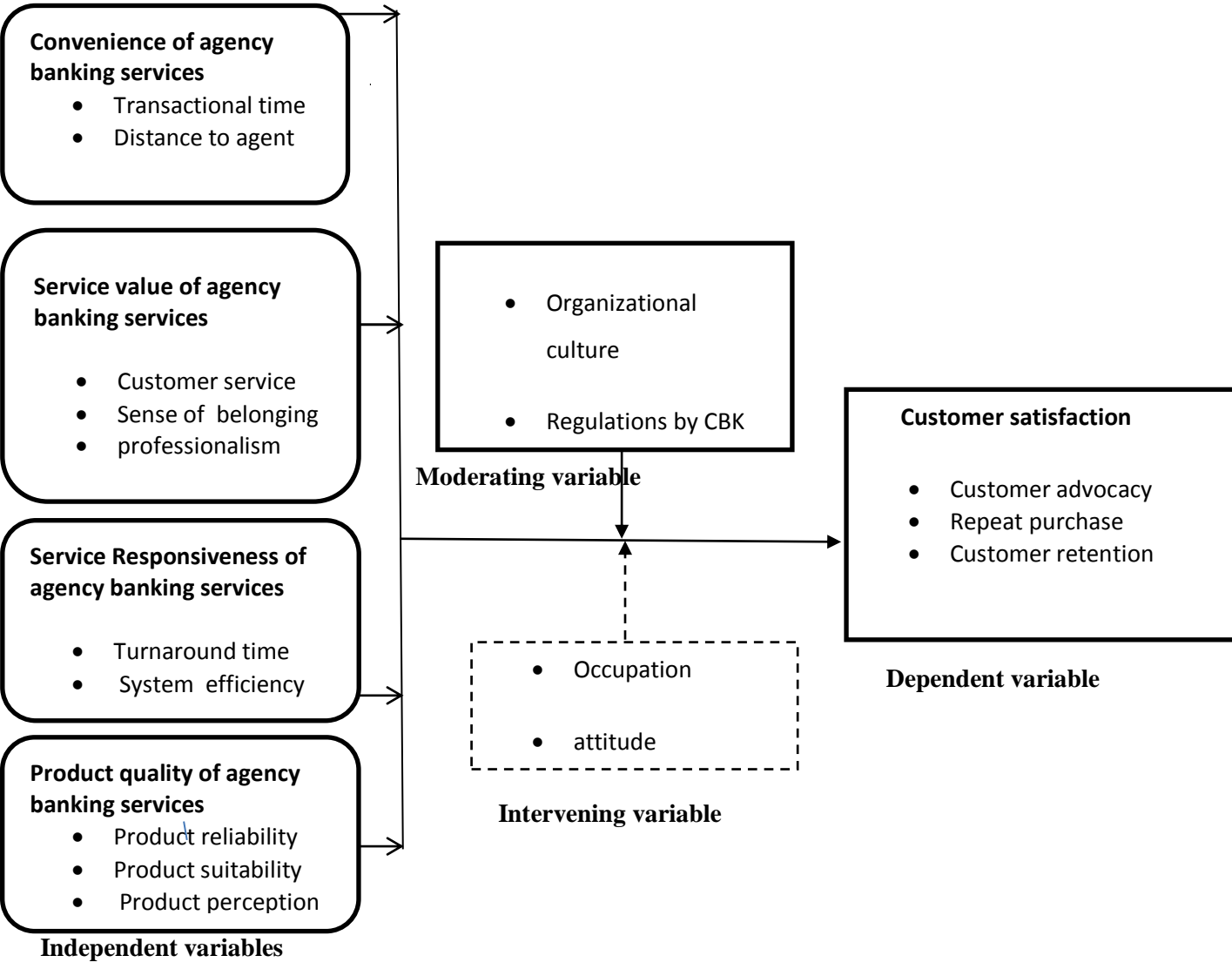
In June 2009, Kenya parliament gave approval for banking legislations to be amended to enable the use of agents, consequently the CBK published guidelines to agency banking in May,2010.(Guideline on Agent Banking-CBK/PG/15, 2010) before this, the banking act didn't address the areas of banks using agents to deliver financial services. Issues of agency was being handled on a case by case basis by CBK, some of the regulations given by CBK: 2008 regulation that allowed microfinance deposit –



taking institutions to use agents; 2009 amendment to the banking Act that allowed banks to appoint agents to perform other activities and a 2009 anti-money laundering/combating the financing of terrorism bill which applied to both bank and non-bank institutions.( EFINA ,2011).

Ayuma, and Mwirigi,( 2013) in their study highlights challenges involving agent banking as confidentiality ;that every year banks are to sign secrecy forms and maintain confidentiality for all clients yet it is not replicated among the agents;security,most agents are in areas that would be seen as high “risk” areas ,banks should vet security mitigations available for agent;customer service is a big challenge to many agents and banks need to train their agents in customer service so as to replicate their brand image and agents are most likely to be targeted by frauders in the process of identifications.

**2.9 Conceptual Framework**



The above conceptual framework attempts to examine and explain factors that influence customer satisfaction in agency banking and how they are interlinked with each other, some of them include suitability of agency banking, distance to agent location, service value of agent banking, government regulations, institutional culture, product quality, brand loyalty and service responsiveness.

According to Miles and Huberman, (1994) conceptual framework contains key variables and presumed relationships amongst them. The main objective here is thus to learn the interplay between customer satisfaction and performance of agency banking at KCB Ongata Rongai Branch in terms of agency banking.

## **2.10 Summary of Chapter Two.**

This chapter has presented literature review on information from other researchers who have done research on similar areas. The chapter presents, introduction with emphasis on concept of customer satisfaction, that a customer develops norms for product performance based on product general experience rather than from brand's performance, the regulatory framework of agency banking which covers the laws enacted since 2009 in regulating the sector, this chapter also looked into evaluation of agency models in different nations, theoretical framework models such as non-bank model, bank led model, bank focused model, and Innovation Diffusion Theory on Technology Adoption have been discussed and the conceptual framework for the study illustrated.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focus on the methodology that was used to carry out the study; research design, location of study, targeted population, sampling design, data collection tools, pilot testing and data analysis. Saunders et al, (2000) notes that research can have more than one purpose; explanatory (the problem is clearly defined), descriptive (one is aware of the problem), and exploratory (where the problem is ambiguous).

This research sought new insights into the influence of agency banking on customer satisfaction with banking services especially, that little is understood as to the view of the customer on the same, by identifying and describing matters of concern, to the customer.

### **3.2 Research Design**

According to Bryman and Bell(2013) clarifies that a research design is the framework in which the data collection and analysis are anchored , while the methods are the techniques of gathering information. This study engaged a descriptive research design, A descriptive study is used to describe or define, often by creating a profile of a group of problems, people or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper and Schindler, 2003). Descriptive research design was chosen because it will enable the researcher to generalize the findings to a large population. According Glass and Hopkins,(1984) descriptive can either be quantitative or qualitative, meaning it can be used in the collections of quantitative information's that can be tabulated in a numerical form to show patterns of interaction and in descriptive research to measures of central tendency such as the mean, median, mode, deviance from the mean, variation, percentage and correlation between variables.

The descriptive research approach is appropriate due to the fact it allowed analysis and relation of variables. This is going to be cross-sectional study (can involve one-time interactions with groups of people) as opposed to longitudinal study (study that follow individuals over time).

### 3.3 Target Population

The target population is the specific population about which information is desired. According to (Ngechu, 2004), a population is a well defined set of people, services, elements, event, and group of things or households that are being investigated. The population in Ongata Rongai is 195,746 -as per the national census in 2009-,of Kajiado North Constituency Within Kajiado County occupying an area of 148 square kilometres.( Source: Independent Electroral And BoundariesCommission (IEBC). It covers both genders and all professions . Kiranli, and Yildirim,(2013) says it is important to restrict research on the target population ,as illustrated in their study which included teachers working in high schools as applied in faith projects. This study shall make use of sampling out the target population of the KCB Ongata Branch customers of over 50,000 .

### 3.4 Sample Size and sampling procedure

A sample is a small proportion of an entire population. The size of sample should be neither excessively large, nor small. It should be optimum. An optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility (Kothari, 2004). While Chandran [2004], ‘a sample size is a way of selecting a portion of the population such that the selected portion represents the population adequately. Normally it would be preferable to collect data from over 50,000 respondents who form the population of KCB, Ongata Branch. However due to various constraints sampling would be inevitable. A random sampling technique that ensures representation will be used in selecting respondents. The sample size was calculated using the formula that gives representative number of respondents as described by Godden(2004).

$$SS= \frac{Z^2 \times P(1-P)}{M^2}$$

Source: Godden (2004).

Where “SS” = sample size for infinite population (more than 50,000), “z” = z value of 1.96 for 95% level of confidence. , “M” = acceptable margin of error for proportion being estimated = 0.05 or 5% and ‘P’= population proportion expressed as decimal assumed to be 0.5(50%) since it would provide the maximum sample size. This produces maximum possible sample size

$$SS= \frac{Z^2 \times P(1-P)}{M^2}$$

$$SS = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2}$$

$$= 384$$

The following below formula was then used for a finite target population sample size.

$$S_s = \frac{SS}{\left(1 + \frac{SS - 1}{Pop}\right)}$$

Source: Godden (2004).

Where SS= required sample size for infinite population, S<sub>s</sub> = sample size for finite population, pop= is the finite population (known as target population)

$$S_s = \frac{384.00}{1 + \frac{384 - 1}{50,000}}$$

$$S_s = 381$$

Sampling is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of characteristics found in the entire group (Orodho, 2004). Acharya, Prakash, Saxena, and Nigam,(2013) note that a ‘sample’ is a subset of the population, selected so as to be representative of the larger population. Since we cannot study the entire population we need to take a sample. Sampling techniques are broadly classified into ‘Probability’ and ‘Non-probability’ samples. Probability sampling allows the investigator to generalise the findings of the sample to the target population. Probability sampling includes Simple random sampling, Systematic random sampling, Stratified random sampling, Cluster sampling, etc (Acharya, Prakash, Saxena, and Nigam,2013). While non-probability sampling where the researcher decides to include or exclude some elements or sample units. A sampling frame is a list, directory or index of cases from which a sample may be selected according to (Mugenda and Mugenda, 2003). A sampling frame is crucial in probability sampling, because if the sampling frame is not drawn appropriately from the population of interest, random sampling from that frame cannot address the research problem and to ensure representation, a sampling frame is important. A sampling frame is a list, directory or index of cases from which a sample may be selected according to (Mugenda and Mugenda, 2003). Generalisations can be made ‘only’ to the actual population defined by the sampling frame. Non-probability sampling includes Convenience/purposive sampling, Quota

sampling, Snow ball sampling, etc. Each method of sampling has its own advantages and limitations, however, probability sampling is preferable, since its results can be generalised. For the purpose of this study the sampling frame was all areas both rural and urban areas with registered KCB agents that operate under Ongata Branch.

### **3.5 Data Collection Tools and Techniques**

Ericksson and Wiedersheim (1997) state that there are two sources of data: primary sources and secondary sources. The selection of an appropriate method of data collection depends on the research problem, design and categories of data requirements. The study used primary and secondary data.

Secondary data refers to information that is already available for use by the author for a different use other than the researcher's current inquiries. Secondary data is being that is been used in this research to create a basic knowledge on the problem which is under investigation; the sources shall include bank reports, academic literature and text books, they are being subjected to triangulation so as to maintain high quality and reliability,(Bryman and Bell,2013).

Primary sources that were been used in this research, are publications in which researchers have reported the results of their studies, mostly in the form of journals which are published monthly, quarterly, or annually. The primary data in this research shall be consists of observations, administering questionnaires to collect information.

### **3.6. Questionnaires**

The questionnaires were filled by clients who visited the KCB Ongata Branch banking hall and those served at the agents' site. The ones filled at the banking hall was to help capture information of those who do not use the agency banking and also the extent of usage. The questionnaire was made of open ended and closed questions, and was divided into various parts which was to gather general and demographic information. The researcher ensured the administration of questionnaires to 381 respondents for a period of one month. The use of questionnaires was important as they are easy to administer, gives the respondents sufficient time to arrive at a well thought response and are free from the researchers' bias.

#### **3.6.2 Document Analysis**

The researcher collected reports from the bank regarding the total number of customers served by KCB, Ongata Branch. This was used to facilitate in determination of the sample size of the research. The researcher was also to use the bank reports on the location of agency to ensure representation

during sampling. A letter of introduction was to be attached to the questionnaires explaining the purpose of the study.

### **3.7 Pilot Testing, Reliability and Validity of The Research Instrument**

It was important to evaluate the concepts of pilot testing, validity and reliability in the investigation so as to enhance its quality(research quality).The accuracy of data collected was largely depended on the data collection instruments in terms of validity and reliability (Mugenda and Mugenda 2003).

#### **3.7.1 Pilot Testing of The Research Instrument**

According to Bryan and Bell,(2013) pilot testing or pre-test is very crucial for it grants the researcher an over view of the survey and that it goes through a process of verification to establish its quality before exposing it to the public. In that response, a group of five (of different, ages and occupations) was to help in order to understand how the questionnaire shall be perceived or if there was any misunderstanding. The individuals were scheduled to fill the questionnaires and were timed in order to know how long it shall take to fill the questionnaire, after which they were to be engaged to discuss questions that were not clear and adjustments were made. Expert opinion was used as well, as having objective questions included in the questionnaire as emphasized by Cooper and Schindler (2003). The pre-testing was to assisted in enhancing clarity of the questionnaire.

#### **3.7.2 Validity of the Data Instrument**

Validity is the degree to which results obtained from the analysis of data actually represents the phenomenon under study, as noted by Robinson (2002 ).According to Patron (2001) validity is quality attributed to proposition or measures of the degree to which they conform to establish knowledge or truth. It refers to the extent in which an instrument asks the right Questions in terms of accuracy. Mugenda and Mugenda (1999) define validity as the accuracy and meaningfulness of inferences which are based on research results. The content validity of the instrument was determined through piloting, expert opinion and logic methods, where the responses of the subject was checked against the research objectives in order to get rid of any ambiguity. This was to ensure that information obtained was accurately representative of the respondents.

#### **3.7.3 Reliability of the Data Instrument**

Reliability refers to a measure of the degree to which research instruments yield consistent results (Mugenda and Mugenda 2003). In this study reliability was ensured by pre-testing the questionnaire with a selected sample. Test and re-test estimated the reliability obtained by correlating data collected

with those from the same questionnaire collected under as near equivalent conditions as possible by administering the questionnaire twice to the respondent. This was to measure consistency of responses across all questions or a group of questions. Internal consistency involves correlating the responses to each question in the questionnaire with those in the other questions in the questionnaires.

### **3.8 Data Analysis Techniques**

Data analysis aimed at fulfilling the research objectives and to provide answers to research questions. The choice of analysis procedure was pegged on how well the technique was to meet the objectives of the study to the scale of measurement of variables in question.

Data collected was analyzed using descriptive statistics. The descriptive statistical tools such as frequencies, percentages, mean and standard deviation helped the researcher to describe the data in terms of the variability of responses. It was also involving editing, tabulation and coding of data, the purpose of editing was to correct and inspect each questionnaire to ensure completeness, comprehensiveness and consistency of data collected. In addition advanced statistical techniques (inferential statistics), was used. Correlation analysis was used to determine the relationship between the independent and dependent variables. SPSS (statistical package for social sciences) or excel package was used to analyze the data since it allows data sets to be loaded more easily making it user friendly. The researcher used content analysis to analyze qualitative data.

### **3.9 Ethical Considerations**

Ethics in this research referred, to the rules and regulations that was to guide the conduct of this research work. It was an important part in the planning and implementation process of this project. According to Sieber,(1992) in her study of Planning Ethically Responsible Research, the following principles are mentioned which consequently guided this research work; 1) Informed Consent; the participants shall decide whether to be involved or not to be, in the research project . 2) beneficence; was employed with the aim of maximizing good outcome in relation to the participants and avoiding unnecessary harm, risk or wrong. 3) Respect; this study sought to respect the autonomy of persons or individuals including the infants, children, and disable persons. 4) Justice; was to ensure reasonable, non-exploitative procedures and there fair administration in regard to costs, benefits among groups and stakeholders. 5). Privacy; the research ensured the control over access to an individual and associated information against giving unwanted information. 6) Confidentiality; the made agreement with participants on what shall be done or not done with their data (letter of transmittal) 7) Anonymity; it was used where applicable; the lack of identifiers, meaning no information that was



indicative of which person or institution provided what data. 8) The use of the data and report shall be relayed to those it is intended on basing on integrity, and quality of research work. It tried at all cost not to involve the use of deception, however in case of its use, then, debriefing or dehoaxing was to be used.

### 3.10 Operationalization of Variables

<b>Objectives/ Research Questions</b>	<b>Type of variable</b>	<b>Indicators</b>	<b>Measure ment scale</b>	<b>Method of data collection</b>	<b>Instrument/Da ta collection tools</b>	<b>Data Analysis Technique</b>
To what extent does convenience of agency banking has on customer satisfaction?	independent	Client history Distance to agent.t transaction time	Ratio Nominal Nominal	Administering questionnaires	Questionnaire Interview guide	Frequencies and percentages Inductive analysis
How does service value affect customersatisfaction?	independent	Customer service. Professionalism Confidentiality belonging	Nominal Ratio	Administering questionnaires	Questionnaire Interview guide	Frequencies and percentages Inductive analysis
How does service responsiveness contribute to customer satisfaction?	independent	Consistency. Customer complains responses.	Nominal Ratio	Administering questionnaires	Questionnaire Interview guide	Frequencies and percentages Inductive analysis
To what extent does service quality influence customer satisfaction?	independent	Product reliability. Product suitability	Nominal Ratio	Administering questionnaires	Questionnaire Interview guide	Frequencies and percentages Inductive analysis

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATIONS, INTERPRETATIONS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presented the data analysis, presentations and interpretations of findings of the study: Effect of Agency Banking Services on Customer Satisfaction: A Case of Kenya Commercial Bank Agent System in Ongata Rongai, Kenya. The chapter has been sectioned into ;response rate, Questionnaire return rate, Demographic characteristics of the respondents , To determine the effect of convenience of agency banking services on customer satisfaction, To establish the effect of service value on customer satisfaction in agency banking services, To establish the effect of service responsiveness on customer satisfaction in agency banking services, To establish the effect of service quality on customer satisfaction in agency banking services. The analysis done, was based on descriptive statistics, which was used to identify frequencies, mean, median, mode, percentages and regression analysis, to answer all of the questions in the questionnaire, using SPSS a statistical software version 21 for creating various distributions of the variables. The statistical significance of relationships among selected variables was determined using the Pearson correlation while the level of significance was set at 0.05.

#### **4.2 Questionnaire return rate**

The study targeted a sample size of 381 respondents from which 311 were returned, making a response rate of 82%. This response rate was good and representative. According to Mugenda and Mugenda, (2009) response rate above 50% is adequate to carry out an investigation, while 60% is good and 70% response rate is excellent thus this response rate passed the threshold of data analysis for this study; Influence of Agency Banking Services on Customer Satisfaction: A Case of Kenya Commercial Bank Agent System in Ongata Rongai, Kenya.

#### **4.3 Demographic characteristics of the respondents**

The study sought to establish background information of the respondents in terms of age, gender, educational level, marital status, client history, income level, and working experience.

### 4.3.1 Distribution of respondents by Gender.

**Table 4.1 Gender of Respondents**

Gender	Frequency	Valid Percent	Cumulative Percent
male	148	47.6	47.6
female	163	52.4	100.0
Total	311	100.0	

The gender characteristic of the respondents indicated that majority of them were females with 52.4% accounting for 163 respondents against male 148 respondents representing a percentage of 47.6%.

The gap between males and females stands at 15 respondents representing a difference of 4.8%. This gap may be due to the availability of women slightly more than men during the study period however it could also mean women accepts the Agency banking model rather faster than men.

### 4.3.2 Distribution of respondents by Age.

**Table 4.2: Respondent age**

Age bracket	Frequency	Valid Percent	Cumulative Percent
18-25	28	9.2	9.2
26-35	145	47.9	57.1
36-40	99	32.7	89.8
41-50	31	10.2	100.0
Total	303	100.0	
Total	311		

The age characteristic of the respondents designated that, those between age brackets of 26-35 years were the majority represented by 46.6% (145 respondents) followed by age bracket of 36-40 years which his represented by 99 respondents, (31.8%). This indicated that majority of the youths are using the agency model for financial transactions, probable due to the fact that in Ongata Rongai there exist a number of colleges and universities and the students would prefer to pay their dues both in college and out of campus, subsequently this could explain why the youths make use of it more than other age brackets above

### 4.3.3 Distribution of respondents by Level of Education

**Table 4.3: Highest level of education**

Education level	Frequency	Valid Percent	Cumulative Percent
degree	242	79.9	79.9
diploma	16	5.3	85.1
certificate	13	4.3	89.4
secondary	32	10.6	100.0
Total	303	100.0	
Total	311		

When asked about their level of education, the respondents gave varied responses as indicated above in table 4.3. From the table majority had university degrees, (77.8%) that is 242 respondents had attained university degrees. 5.1% had diploma level education compared to 10.3% who had secondary education, 16 and 32 respondents respectively. 4.2% had certificate level of education while 2.6 % didn't show their level of education. This showed that few number of diploma students were available for the study and agency model is easily acceptable in the higher institutions of learning.

#### 4.3.4 Distribution of respondents by Marital status.

**Table 4.4:Marital status**

Marriage status	Frequency	Valid Percent	Cumulative Percent
Married	189	62.4	62.4
single	114	37.6	100.0
Total	303	100.0	
Total	311		

The majority of the respondents were married, with total of 189 respondents affirming so, while 114 respondents were single, this represented 60.8% and 36.7% respectively, while 2.6% did not score their marriage status. The married group use agency transaction more than the single group category, probably because of different roles they play (work, family, social and academic) and they find agency banking helping in balancing their life activities unlike the single group who are restricted in this regard.

#### 4.3.5 Distribution of respondents by Income.

**Table 4.5: Monthly basic salary**

Salary range	Frequency	Valid Percent	Cumulative Percent
<5000	23	7.4	7.4
5001-10000	37	11.9	19.3
10001-15000	39	12.5	31.8
15001-20000	18	5.8	37.6
>20001	194	62.4	100.0
Total	311	100.0	

Analysis of the income level of the respondents showed 62.4% of them had an income of over 20,001 and above, followed by 12.5%, then 11.9%, 7.4% and the least was 5.8% this represented the 194, 39, 37, 23 and 18 of the respondents as indicated by the frequency column.

### 4.3.6 Distribution of respondents by Distance from KCB Agent.

**Table 4.6**Distance From Home To The Nearest KCB

Distance	Frequency	Valid Percent	Cumulative Percent
<1/4km	16	5.1	5.1
<1/2km	58	18.6	23.8
1/2km-1km	197	63.3	87.1
1-2km	31	10.0	97.1
>2km	9	2.9	100.0
Total	311	100.0	

The table 4.6 above indicated the distance from the respondent’s home to the nearest KCB agent location, majority of the respondents ,a number of 197 ,(63.3%) showed that they are 1/2km-1km to the nearest KCB agent outlet.58 respondents,( 18.6%) were located within ½ km from the agent outlet while 31 respondents (10%) were between 1-2 km from the agent, and fewer were near the agent outlet(5.1%,16 respondents).

### 4.3.6 Distribution of respondents by Marketing Source

**Table 4.7: learning about agent banking**

Marketing outlet	Frequency	Valid Percent	Cumulative Percent
media	65	20.9	20.9
through a friend	72	23.2	44.1
from agent	51	16.4	60.5
from the bank	123	39.5	100.0
Total	311	100.0	

The marketing outlet of agency banking was measured asking the question on how the respondents learned about the agent banking as shown in the table 4.7 above. Most of the respondents (39.5%)

indicated that they have learned it from the bank which represented a total of 123 respondents. From table it indicates that the order of learning points is led by the bank, through friend (23.2%), media (20.9%) and from the agent (16.4) % herself or himself which represented 72, 65, and 51 respondents respectively. This indicated marketing is done more by the bank and her customers than the bank KCB agents.

#### 4.4 To determine the effect of convenience of agency banking services on customer satisfaction

**Table 4.8: Agency services in dealing with convenience**

item	Frequency	Cumulative Percent
neutral	8	2.8
excellent	92	34.6
good	49	51.6
satisfactory	62	73.0
poor	78	100.0
Total	289	
Total	311	

As depicted by the Table 4.8 above 31.8 % ( 92 respondents ) respondents, when asked how to rate agency banking services with regard to the question of convenience, they termed it as excellent, while 49(17%) respondents rated it has been good, still 62 respondents (21.5%) termed the services as satisfactorily convenient to them, cumulatively this makes 71.2% of those holding positive view of the services, against 27%(78) respondents who termed agency services in dealing with the aspect of convenience as poor and about 2.8% respondents (8 respondents ) who confessed that it was neutral meaning neither good or poor. This is supported by study done by Rifkin,(1994) which entailed how consumers in the united states of America in southern California, had embraced concept of convenience in banking as initiated by union Bank inside selected supermarkets operated by Ralph’s Grocery company. This means convenience for customers in reflects profitability for the banker, especially when shoppers at mega stores,groceries can conduct banking at their convenience. Study conducted inthe USA found out 63% of US adults would have bank account due to convenience,subsequently globally banks are becoming more innovative as per another study commissioned by Infosys and conducted by Efma,surveyed 148 banks in 66 countries,the study

revealed that as global economy recovers many banks are turning to innovations as means of raising revenue, cutting costs thus creating convenience for the customer (Teller Vision, 2014).

**Table 4.8.1: Usage of agency banking**

item	Frequency	Valid Percent	Cumulative Percent
yes	243	78.1	78.1
no	68	21.9	100.0
Total	311	100.0	

The respondents were asked to state whether they have used the agency model prior to the study, in order to assert its convenience to them. Majority of the respondents 78.1% asserted that they have used it before, however 21.9% said they had not used it before, the researcher attributed this to the availability of those who had used the service before and the lack of awareness by those who had not used it before so most of them were not available.

**Table 4.8.2: Client history of KCB**

Month	Frequency	Valid Percent	Cumulative Percent
1-6 months	23	8.0	8.0
7-12 months	28	9.7	17.6
13-18 months	45	15.6	33.2
19-24 months	76	26.3	59.5
31-36 months	108	37.4	96.9
Over 37 months	9	3.1	100.0
Total	289	100.0	
Total	311		

The researcher had sought to find out the respondents' period of being a customer of KCB, 3.1% respondents affirmed being clients for over 37 months, 37.4% respondents affirmed being clients for between 31-36 months, while 26.3% respondents confirmed being clients for between 19-24 months. Though 15.6% respondents confirmed being clients for between 13-18 months. Most respondents were between 13-18 months and 31-36 months with the rest having a limited number at 1-6 months. There are few people who have used the service while at over 37 months are few respondents using the service. This was attributed to lack of awareness of agents by services respondents.



#### 4.5 To establish the effect of service value on customer satisfaction in agency banking services

**Table 4.9: Agency in dealing with service value**

item	Frequency	Valid Percent	Cumulative Percent
excellent	52	19.6	19.6
good	62	23.4	43.0
satisfactory	151	57.0	100.0
Total	265	100.0	
Total	311		

Table 4.9 reveals that out of 311 respondents who participated in the study, 57% rated the service value as satisfactory, while 23.4% rated it as good and 19.6% rated it as excellent on the question of how service value influences customer satisfaction in agency banking services.

Cronin and Taylor, (1992) in their analysis of the causal relationship between quality, customer satisfaction, and purchase intention found that service quality was an antecedent of consumer satisfaction, consumer satisfaction had significant effect on purchase intention. In analysis this then means that high service value and customer satisfaction results in high level of purchase intentions. Wolfson, Tavor, and Mark, (2012) says that the heart of service is in the value it gives to the stakeholders. The researcher concluded that high service value for the customer will result in higher customer satisfaction. As indicated above, most customers rated it as satisfactory; however, cumulatively 100% among those who participated confessed that the services were either good, excellent, or satisfactory. The 46 respondents who did not participate could have a different view of not satisfactory since none rated the services as poor.

**Table 4.9.1: Agency services in dealing with professionalism**

item	Frequency	Valid Percent	Cumulative Percent
excellent	67	22.7	22.7
good	188	63.7	86.4
satisfactory	18	6.1	92.5
poor	22	7.5	100.0
Total	295	100.0	
Total	311		

The variable service value was also measured based on indicators of professionalism which the respondents was asked to rate as either been excellent=1, good=2, satisfactory=3, poor=4, most of the respondents, 63.7% noted that the services are professional and this means 188 respondents agreed to, having service value at agency outlet, while 22.7% termed it as excellent value. However 7.5% respondents termed the service value as poor this could be attributed to poor network connection that some respondents complained about.

**Table 4.9.2: Agency services in dealing with confidentiality**

item	Frequency	Valid Percent	Cumulative Percent
excellent	73	26.0	26.0
good	98	34.9	60.9
satisfactory	110	39.1	100.0
Total	281	100.0	
Total	311		

When asked on how to rate the confidentiality of the service, none of the respondents termed it as poor, but 39.1% respondents termed it as satisfactory,34.9% respondents confessed that it was good ,while 26% respondents said it was excellent. This means that the respondents value

**4.6 To establish the effect of service responsiveness on customer satisfaction in agency banking services**

**Table 4.10: agency services in dealing with responsiveness**

item	Frequency	Valid Percent	Cumulative Percent
excellent	64	20.6	20.6
good	182	58.5	79.1
satisfactory	47	15.1	94.2
poor	18	5.8	100.0
Total	311	100.0	

58.5% respondents when asked to rate KCB agency services in dealing with responsiveness, with the view of establishing the influence of service responsiveness on customer satisfaction rated it as good, while 20.6% stated it as excellent, 15.1% confirmed it was satisfactory however 5.8% confessed that it was poor this made 182, 64, 47, and 18 respondents respectively.

Result found out that the five ranked in this order; reliability, responsiveness, assurance, and empathy but according to Johnston, (1995) identified responsiveness as the vital service quality factor. Bitner, Booms and Tetreault, (1990) identified employees willingness to respond to problems and employee responsiveness to customer needs as key to service delivery. Thus objectives of responsive banking shall cut customer waiting time, real time, recency, irrelevancy, reduce transaction time, cut costs and wastes through reduction in idle time, wastes and inefficiencies.

**Table 4.11: Advocacy for KCB agency banking**

item	Frequency	Valid Percent	Cumulative Percent
low	10	3.6	3.6
medium	35	12.7	16.3
high	134	48.6	64.9
very high	97	35.1	100.0
Total	276	100.0	
Total	311		

When asked to rate the customer advocacy for KCB agency services on a scale of 1=very high, 2=high, 3=medium, and 4=low, 48.6 % respondents admitted it as high, while 35.1% respondents acknowledged their level of advocacy as very high, still other 35 respondents said they level of advocacy is at a medium level and 3.6% respondents (10) indicated their advocacy as been low

**Table 4.12: Consistency with KCB agent**

item	Frequency	Valid Percent	Cumulative Percent
low	10	3.6	3.6
medium	85	30.8	34.4
high	103	37.3	71.7
very high	78	28.3	100.0
Total	276	100.0	
Total	311		

When asked on how to rate their consistency with KCB agency banking, 37.3% respondents said they are consisted in seeking the services, 30.8% respondents termed their consistency as medium meaning not committed to it,28.3% affirmed their commitment to KCB agent services ,maybe this are the people who have stayed long and benefitted from the Bank.

**4.7 To establish the effect of service quality on customer satisfaction in agency banking services.**

**Table 4.13: Agency services in dealing with service/product quality**

item	Frequency	Valid Percent	Cumulative Percent
excellent	23	8.7	8.7
good	155	58.5	67.2
satisfactory	87	32.8	100.0
Total	265	100.0	
Total	311		

The respondents were asked to rate agency service in regard to product/Service quality, as shown above 58.5% of the respondents (155 respondents) said it was good, with 8.7% (23 respondents) of respondents confessing it was excellent, and the 32.8% (87 respondents) of respondent acknowledging it was satisfactory however the table 4.11 reveals that none termed the quality or service as poor. to underscore the importance of the service quality, Gronroos,(1984) in his study ,singles out and offers ,technical and functional model in which he illustrates technical quality (outcomes that consumer gets from service organization), functional quality,(how service is provided) and company image(the brand image on the consumers) as prerequisite for an institution’s service quality.

KPMG survey, (2013) on products and services most respondents were keen to have their banks improve on product and support in nine out of 14 countries. Seventy percent said that they did not feel assisted to understand their banks products and how to access them while 10% admitted being satisfied with the way their banks delivered services.Imdadul, (2013) notes that banks are forced to differentiate themselves from time to time in the process to deliver better products and services and he terms this as service quality. Others like Vuk, (2012) in his study on quality indicators, illustrate the existence of structural indicators, process indicators and outcome indicators to give the tripartite scope of quality to constitute quality in totality.

**Table 4.13.1: Agency services in dealing with product suitability**

item	Frequency	Valid Percent	Cumulative Percent
excellent	103	36.7	36.7
good	68	24.2	60.9
satisfactory	110	39.1	100.0
Total	281	100.0	
Total	311		

The researcher posed the question on how to rate agency services in dealing with suitability, 39.1% of the respondents described it as satisfactory on scale of excellent=1, good=2, satisfactory=3, poor=4, while 24.2 % of the respondents termed the agency product suitability as good, and still 36.7% of the respondents said it was excellent, this means that the product is highly suitable for use by the clients for most of the respondents.

**Table 4.13.2 : Agency services in dealing with product reliability**

item	Frequency	Valid Percent	Cumulative Percent
excellent	74	26.3	26.3
good	90	32.0	58.4
satisfactory	117	41.6	100.0
Total	281	100.0	
Total	311		

When asked whether product was reliable, majority of the respondents at 41.6% said it was satisfactory, on scale of excellent=1, good=2, satisfactory=3, poor=4. 32% of the respondents said the product was reliable while 26.3% of respondents said it was reliable at scale of 1 meaning excellent. However none stated it as poor, this means it is product that has acceptable quality by the clients.

#### 4.8 Discussions of Findings

The findings of the study designated the gender characteristic of the respondents, that the majority of them were females with 52.4% accounting for 163 respondents against male 148 respondents representing a percentage of 47.6%. The gap between males and females stands at 15 respondents

representing a difference of 4.8%. This gap could have been due to the availability of women slightly more than men during the study period however it could also mean women accepts the Agency banking model rather faster than men.

In the assertion seeking to gauge the level of education, the respondents gave varied responses as indicated above in table 4.3. From the table majority had university degrees, (77.8%) that is 242 respondents had attained university degrees. 5.1% had diploma level education compared to 10.3% who had secondary education, 16 and 32 respondents respectively. 4.2% had certificate level of education while 2.6 % didn't show their level of education. This showed that few number of diploma students were available for the study and agency model is easily acceptable in the higher institutions of learning.

The age characteristic of the respondents designated that, those between age brackets of 26-35 years were the majority represented by 46.6% (145 respondents) followed by age bracket of 36-40 years which his represented by 99 respondents, (31.8%). This indicated that majority of the youths are using the agency model for financial transactions, probable due to the fact that in Ongata Rongai there exist a number of colleges and universities and the students would prefer to pay their dues both in college and out of campus, subsequently this could explain why the youths make use of it more than other age brackets above

The respondents view on service convenience is confirmed by The world bank,(as cited in Ounza, 2012) estimates that there are over 7000 microfinance institutions in the world offering services to more than 16 million people in the developing continents, others have innovated the use of branchless banking: mobile banking, automated teller machine(ATM) ,point of Sale(POS),and now agency banking outlets. By so doing they reach a wider scope of clients, reduce their transaction costs, increase access to financial services by the poor in remote areas while making use of ICT .

Study done by Wanjugu,(2012) indicated level of satisfaction of respondents was at 20% been unsatisfied against8% respondents that were very satisfied with agency service in Kitui however according to the researcher the level of satisfaction in Ongata Rongai is higher ,looking into the various factors that compound customer satisfaction like convenience, responsiveness, service value ,service quality as depicted in the above summary. It therefore means that customers in Ongata Rongai have higher service value than in Kitui offered by agency service.

The similarity between the two studies however indicates that respondents have learnt about agency business through bank branches than the agents in kitui 52%respondents learnt it through bank branch

while 44% learnt it through media however in Ongata Rongai 39.5% learnt from the bank while 23.2% learnt from friends,20.9% respondents learnt from the media .

According to central bank report the legislative reforms instituted between 2010 and 2013, allowed both commercial banks and microfinance banks to contract approved third party retail outlets to offer specified services on their behalf. By December 2014, 16 commercial banks and 3 microfinance banks had contracted 35,789 and 58 agents, respectively, spread across the country. This was a marked improvement from 13 commercial banks (and no microfinance banks) with a total of 23,477 agents by the end of December 2013. This represents a 52.4% increase in the number of approved agents, with a concentration of 90% of the agents in 3 banks; Equity Bank with 13,767 agents, Kenya Commercial Bank with 9,687 and Cooperative Bank with 8,765. The increase in transactions facilitated by bank agents was largely attributable to increases in transactions relating to payment of bills, mini statement requests, cash withdrawals and cash deposits which increased by 136.4%, 86.3%, 46.6% and 40.1%, respectively. The contracted entities include security companies, courier services, pharmacies, supermarkets and post offices who act as third party agents to provide cash -in-cash-out transactions and other services in compliance with the laid down guidelines. As at 31<sup>st</sup> March 2015 , there were 16 commercial banks that had contracted 34,381 active agents which had facilitated over 149.4million transactions valued at Ksh. 817.7billion. The number of banking transactions undertaken through agents increased from 9.3million registered in the quarter ending December 2014 to 13.4 million transactions registered in the quarter ending March2015. Similarly, the value of banking transactions undertaken through agents increased from Ksh.55.7billion to Ksh.74.7billion over the same period (central Bank of Kenya,2015).

This increase is rather due to the banks own efforts other than the agent as the research carried out in Ongata Rongai based on Table 4.7 which indicated the customers got to learn from the bank and friends more than the agents. The marketing outlet of agency banking was measured asking the question on how the respondents learned about the agent banking as shown in the table 4.7 above. Most of the respondents (39.5%) indicated that they have learned it from the bank which represented a total of 123 respondents. From table it indicates that the order of learning points is led by the bank, through friend (23.2%), media (20.9%) and from the agent (16.4) % herself or himself which represented 72, 65, and 51 respondents respectively. This indicated marketing is done more by the bank and her customers than the bank KCB agents.



This could explain why despite report by CBK about increases in agent activity however through observation its uptake in KCB agent outlets in Ongata Rongai as remained low, the rate of acceptance by clients in Ongata Rongai has not communicated what is indicated by the CBK report.

**Table 4.14 :Descriptive statistics**

	Mean	Std. Deviation	N
how do you rate agency services in dealing with responsiveness	2.0611	.76588	311
how do you rate agency services in dealing with Service/product quality	2.2415	.59843	265
how do you rate agency services in dealing with service value	2.3736	.79300	265
how do you rate agency services in dealing with technology use	1.8221	.67903	281
how do you rate agency services in dealing with suitability	2.0249	.87183	281
how do you rate agency services in dealing with customer satisfaction	2.1530	.81157	281
how do you rate agency services in dealing with transaction fee	2.0208	.86176	289
how do you rate agency services in dealing with convenience	2.3253	1.39869	289
how do you rate agency services in dealing with customer attitude	2.3559	.99357	281

As shown in table 4.12 the descriptive statistics of mean, minimum, maximum, standard deviation and the number of respondents per each category was tabulated. The mean for how customers rated responsiveness by KCB agent services was found to be 2.0611, mean for product quality was 2.22415, while that of customer satisfaction was 2.1530, mean for customer convenience was 2.3253, mean for service value was found to be 2.3736, with a corresponding standard deviation of .76588,.59843,.81157, 1.39869,and .79300 which are spread from their respective means respectively, meaning from their means there are significant deviations since they are clustered around the mean, the responses were not too spread from it.

The first observation the researcher made from this, was that the means were very close and this meant that responses of the respondents on each question was having limited or no outliers but was within the normal distribution curve. However a different view would be that there are underlying factors that strengthen relationship between the independent (convenience, service value, responsiveness, Service/product quality) and dependent (customer satisfaction) variables.

#### Correlations analysis

**Table 4.15:**

**CORRELATION OF VARIABLES**

	how do you rate agency services in dealing with responsiveness	how do you rate agency services in dealing with product quality	how do you rate agency services in dealing with value	how do you rate agency services in dealing with technology use	how do you rate agency services in dealing with suitability	how do you rate agency services in dealing with customer satisfaction	how do you rate agency services in dealing with transaction fee	how do you rate agency services in dealing with convenience	how do you rate agency services in dealing with customer attitude	
how do you rate agency services in dealing with responsiveness	Pearson Correlation	1	.238**	.448**	-.008	.243**	.263**	.162**	.139*	-.179**
	Sig. (2-tailed)		.000	.000	.895	.000	.000	.006	.018	.003
	Sum of Squares and Cross-products	181.839	26.928	67.155	-1.110	43.875	44.235	30.062	41.976	-36.779
	Covariance	.587	.102	.254	-.004	.157	.158	.104	.146	-.131
	N	311	265	265	281	281	281	289	289	281
how do you rate agency services in dealing with product quality	Pearson Correlation	.238**	1	.615**	.154*	.688**	.612**	.774**	.711**	.798**
	Sig. (2-tailed)	.000		.000	.012	.000	.000	.000	.000	.000
	Sum of Squares and Cross-products	26.928	94.543	77.091	16.211	93.445	75.751	102.755	133.706	97.442
	Covariance	.102	.358	.292	.061	.354	.287	.389	.506	.369
	N	265	265	265	265	265	265	265	265	265
how do you rate agency services in dealing with service value	Pearson Correlation	.448**	.615**	1	-.324**	.397**	.829**	.573**	.662**	.393**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000	.000
	Sum of Squares and Cross-products	67.155	77.091	166.015	-45.298	71.408	135.958	100.792	164.951	63.574
	Covariance	.254	.292	.629	-.172	.270	.515	.382	.625	.241
	N	265	265	265	265	265	265	265	265	265
how do you rate agency services in dealing with technology use	Pearson Correlation	-.008	.154*	-.324**	1	.460**	-.112	.476**	.167**	.152*
	Sig. (2-tailed)	.895	.012	.000		.000	.060	.000	.005	.011
	Sum of Squares and Cross-products	-1.110	16.211	-45.298	129.103	76.246	-17.349	77.491	38.420	28.794
	Covariance	-.004	.061	-.172	.461	.272	-.062	.277	.137	.103
	N	281	265	265	281	281	281	281	281	281
how do you rate agency services in dealing with suitability	Pearson Correlation	.243**	.688**	.397**	.460**	1	.514**	.797**	.680**	.324**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.000	.000
	Sum of Squares and Cross-products	43.875	93.445	71.408	76.246	212.826	101.929	166.651	200.861	78.509
	Covariance	.157	.354	.270	.272	.760	.364	.595	.717	.280
	N	281	265	265	281	281	281	281	281	281

how do you rate agency services in dealing with customer satisfaction	Pearson Correlation	.263**	.612**	.829**	-.112	.514**	1	.734**	.909**	.194**
	Sig. (2-tailed)	.000	.000	.000	.060	.000		.000	.000	.001
	Sum of Squares and Cross-products	44.235	75.751	135.958	-17.349	101.929	184.420	142.858	249.719	43.698
	Covariance	.158	.287	.515	-.062	.364	.659	.510	.892	.156
	N	281	265	265	281	281	281	281	281	281
	Pearson Correlation	.162**	.774**	.573**	.476**	.797**	.734**	1	.847**	.453**
how do you rate agency services in dealing with transaction fee	Sig. (2-tailed)	.006	.000	.000	.000	.000	.000		.000	.000
	Sum of Squares and Cross-products	30.062	102.755	100.792	77.491	166.651	142.858	213.875	294.048	108.018
	Covariance	.104	.389	.382	.277	.595	.510	.743	1.021	.386
	N	289	265	265	281	281	281	289	289	281
	Pearson Correlation	.139*	.711**	.662**	.167**	.680**	.909**	.847**	1	.396**
	Sig. (2-tailed)	.018	.000	.000	.005	.000	.000	.000		.000
how do you rate agency services in dealing with convenience	Sum of Squares and Cross-products	41.976	133.706	164.951	38.420	200.861	249.719	294.048	563.426	133.160
	Covariance	.146	.506	.625	.137	.717	.892	1.021	1.956	.476
	N	289	265	265	281	281	281	289	289	281
	Pearson Correlation	-.179**	.798**	.393**	.152*	.324**	.194**	.453**	.396**	1
	Sig. (2-tailed)	.003	.000	.000	.011	.000	.001	.000	.000	
	Sum of Squares and Cross-products	36.779	97.442	63.574	28.794	78.509	43.698	108.018	133.160	276.413
how do you rate agency services in dealing with customer attitude	Covariance	-.131	.369	.241	.103	.280	.156	.386	.476	.987
	N	281	265	265	281	281	281	281	281	281

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

\* . Correlation is significant at the 0.05 level (2-tailed).

The table 4.13 shows the Pearson product-moment correlation coefficient or known as correlation coefficient (r) which is a measure of the strength of linear association between any two variables in the study. It sought to draw line of best fit through the data of any two variables as shown above whereby the Pearson coefficient showed how far away all the data of any two variables were from the line of best fit.

From the table, Pearson's r values for the dependent variable customer satisfaction at agency outlets against the other independent variables of agency responsiveness, service quality, service value and

convenience are .263\*\*, .612\*\*, .829\*\*and.909\*\* between the pair variables. This numbers are very close to 1. For this reason, the researcher can conclude that there is a weak uphill (positive) linear relationship (.263\*\*) between customer satisfaction and customer responsiveness by agency banking services. We again can deduce that there is a strong uphill (positive) linear relationship between customer satisfaction and customer service quality at correlation coefficient (r) of .612\*\* by agency banking services. The researcher deduced that there is a strong uphill (positive) linear relationship between customer satisfaction and customer service value at correlation coefficient (r) of. 829\*\* by agency banking services and finally the researcher established that that there is a strongest uphill (positive) linear relationship almost equals to +1 between customer satisfaction and customer convenience at correlation coefficient (r) of. 909\*\* by agency banking services .However, we cannot make any other conclusions about this relationship, based on this number. The Sig. (2-Tailed) values in the variables (responsiveness, service quality, service value and convenience) are 0.000, 0.000, 0.000, and 0.000 as shown in the above table. These values are less than 0.01, (\*\*. Correlation is significant at the 0.01 level (2-tailed). Because of this, we can conclude that there is a statistically significant correlation between customer satisfaction and the independent variables of responsiveness, service quality, service value and convenience, with the order of strength being vice versa meaning the correlation is strong from the point of convenience as it moves to responsiveness which is less strong. This therefore means that customers have a preference for services that bring convenience to them first, then its value to them before any other characteristic of the said service. This means any change in these independent variables will result in changes for the dependent variable in a positive way, increase or decrease results in an increase or decrease respectively.

**CHAPTER FIVE**  
**SUMMARY OF THE FINDINGS, DISCUSSIONS, CONCLUSIONS AND**  
**RECOMMENDATIONS**

**5.1 Introduction**

This chapter represents summary of findings, discussions, conclusion and recommendations' of the study; Effect of Agency Banking Services on Customer Satisfaction: A Case of Kenya Commercial Bank Agent System in Ongata Rongai, Kenya.

**5.2 Summary of findings**

This section has been aligned with the research objectives of the study which involved, to determine the influence of convenience of agency banking services on customer satisfaction, to establish the influence of service value on customer satisfaction in agency banking services, to establish the influence of service responsiveness on customer satisfaction in agency banking services, to establish the influence of service quality on customer satisfaction in agency banking services.

**5.2.1. Convenience of agency banking services on customer satisfaction**

As depicted by the Table 4.8 above 31.8 %( 92 respondents ) respondents, when asked how to rate agency banking services with regard to the question of convenience, they termed it as excellent, while 49(17%) respondents rated it has been good, still 62 respondents (21.5%) termed the services as satisfactorily convenient to them, cumulatively this makes 71.2% of those holding positive view of the services, against 27%(78) respondents who termed agency services in dealing with the aspect of convenience as poor and about 2.8% respondents (8 respondents ) who confessed that it was neutral meaning neither good or poor. This means convenience for customers in reflects profitability for the banker, especially when shoppers at mega stores, groceries can conduct banking at their convenience. Study conducted inthe USA found out 63% of US adults would have bank account due to convenience,subsequently globally banks are becoming more innovative as per another study commissioned by Infosys and conducted by Efma,surveyed 148 banks in 66 countries,the study revealed that as global economy recovers many banks are turning to innovations as means of raising revenue,cutting costs thus creating convenience for the customer.In africa the case for convenience would arise based on cost of building,unsteady incomes,unemployment,distance to bank branches and maintaining branches in rural areas thus the need to adapt low-value,high volume transactional environment with numerous points of access with emphasize that agents offer similar services as banks which range from cash deposits, withdrawals, disbursement, loan repayment,salary

payment,transfer of funds,mini bank statements,balance inquiry,cash payment of bills and cash deposits

### **5.2.2. Service value on customer satisfaction in agency banking Services**

Table 4.9 reveals that out of 311 repondents who participated in the study,57% rated the service value as satisfactory,while 23.4% rated it as good and 19.6% rated it as excellent on the question of how service value influences customer satisfaction in agency banking services.

In the analysis of the causal relationship between quality,customer satisfaction,and purchase intention found that service quality was an antecedent of consumer satisfaction,consumer satisfaction had significant effect on purchase intention. In analysis this then means that high service value and customer satisfaction results in high level of purchase intentions. The heart of service is in the value it gives to the stakeholders. The researcher concluded that high service value for the customer will results in higher customer satisfaction has indicated above most customers rated it has been satisfactorily however cumulatively 100% among those who participated confessed that the services were either good, excellent, or satisfactory. The 46 respondents who did not participated could have different view of not satisfactory since none rated the services has been

### **5.2.3. Service responsiveness on customer satisfaction in agency banking services**

58.5% respondents when asked to rate KCB agency services in dealing with responsiveness,with the view of establishing the influence of service responsiveness on customer satisfaction rated it has good,while20.6% stated it as excellent,15.1% confirmed it was satisfactory however 5.8% confessed that it was poor this made 182,64,47, and 18 respondents respectively.

Othe scholars have found out that the five ranked qualities in this order;reliability,responsiveness,assurance,and empathy identified responsiveness as the vital service quality factor. While another identified employees having willingness to respond to problems and employee responsiveness to customer needs as key to service delivery. Thus objectives of responsive banking shall cut customer waiting time,real time,recency,iirelevancy,reduce transaction time,cut costs and wastes through reduction in idle time,wastes and inefficiencies.

#### **5.2.4. Service/product quality on customer satisfaction in agency banking services**

58.5% respondents when asked to rate KCB agency services in dealing with responsiveness, with the view of establishing the influence of service responsiveness on customer satisfaction rated it as good, while 20.6% stated it as excellent, 15.1% confirmed it was satisfactory however 5.8% confessed that it was poor this made 182,64,47, and 18 respondents respectively.

The researcher posed the question on how to rate agency services in dealing with suitability, 39.1% of the respondents described it as satisfactory on scale of excellent=1, good=2, satisfactory=3, poor=4, while 24.2 % of the respondents termed the agency product suitability as good, and still 36.7% of the respondents said it was excellent, this means that the product is highly suitable for use by the clients for most of the respondents.

When asked whether product was reliable, majority of the respondents at 41.6% said it was satisfactory, on scale of excellent=1, good=2, satisfactory=3, poor=4. 32% of the respondents said the product was reliable while 26.3% of respondents said it was reliable at scale of 1 meaning excellent. However none stated it as poor, this means it is product that has acceptable quality by the clients.

### **5.3 Conclusions**

From the study findings, the researcher concludes that there is a very strong positive correlation between the independent variable convenience and the dependent variable customer satisfaction, this conclusion is supported by the results of the descriptive and correlation analysis statistic showing that there is the strongest uphill (positive) linear relationship in comparison to the variables under study.

The researcher can conclude that there is a weak uphill (positive) linear relationship between customer satisfaction and customer responsiveness by agency banking services. Most of the respondents rated the service responsiveness as good. In this study however responsiveness is not a major factor in customer satisfaction since it scored the least as compared to the independent variables.

The study deduced that there is a strong uphill (positive) linear relationship between customer satisfaction and service quality by agency banking services. The services in organizations are meant to boost consumer service quality and delivery by reducing expenses and that the Bank has been receptive on this front for technological development in the financial service which will result into low operational costs, improved efficiency, effectiveness of operations and the customer benefits from the close proximity to service outlet, without going to the branches, and faster services, no queues.



The researcher deduced that there is a strong uphill (positive) linear relationship between customer satisfaction and customer service value in agency banking services. Meaning an increase in the value of service will impact positively in the satisfaction of the customer hence an indicator for repeat purchase, product quality, customer retention and customer advocacy to other clients

The study also found out some activities that causes the slow uptake of agency services despite it been a good model for financial gains were; Perform and carry out transactions when the networks and communication failure is experienced and there is no acknowledgement or receipt, the false believe the agent also may Charge customers some fees, Carrying out agency banking business when agent is no longer operating a business, agents may offer its own banking services apart from the sponsoring bank, Anti-money laundering services concerns by some customers, lack of Foreign exchange transactions, lack of En-cashing and depositing of cheques, and lack of Provision of cash advances and loans by agent outlets.

#### **5.4 Recommendations for policy action**

- 1) The study recommends KCB bank to encourage their bank agents to market the product and services of agency rather to increase their level of advocacy.
- 2) The study recommends KCB bank to modernize and stabilize the technology to curb the issues of network failures.
- 3) The government through central bank of Kenya need to put in place regulations' that will effectively ensure customer security and confidentiality at the agent location.
- 4) The KCB bank should continue to sensitize customers and the wider public on the use of agency banking and its benefits.
- 5) Regular inspection should be initiated and sustained by the bank

- 6) Enhanced and standardized training of agents to transfer the organizational culture to the agent thus avoiding the agency theory problem
- 7) To simplify the process of agency banking so as to tap in all age bracket, the old and the young alike.
- 8) The researcher recommends the level amount to be transacted should be able to minimize risk both for the customer and the agent.

### **5.5.1 Suggestions for further studies**

- 1) The researcher recommends further study on the assessment of why agency banking is not popular among the old than the young population groups 15-20 years.
- 2) An experimental study ought to be done to evaluate the gains of the model in banking sector.
- 3) Further follow up studies on the same topic could be identify changes over time.
- 4) Role of agency banking in promoting financial inclusion in the society.
- 5) The study was done based in Ongata Rongai Kajiado County, however there is need to replicate it in other counties.

The management of Kenya Commercial Bank Ltd will be able to know the challenges that affect customer satisfaction with agency banking and come up with measures to mitigate them, thus maintaining competitive advantage over other competitors.

The financial institutions will also be able to implement innovative and competitive strategies and capabilities, which in turn will enable such firms to outperform each other for the benefit of the customer, in this case when two ‘bulls’ are fighting, the ‘grass’ benefits greatly, so I shall encourage this fights for the sake of the customer.

The study shall have an academic value to those interested in agency banking studies with the aim of establishing better operations of the same so as to attract customers and ‘remove’ them from or rather decongest the banks, create jobs for many Kenyans, reduce the cost of financial transaction and inclusion in Kenya on the customers, participate in achieving the vision 2030 economic pillar, of increased financial services and inclusion to many Kenyans. They will be able to relate the goings in the market with this study.

This study shall be of value to the government, since it shall form an invaluable source of reference especially to the ministry of finance and central bank of Kenya, when coming up with policies to guide on the improving agency banking model within the financial institutions, since it is relatively a new concept that is about to realize its full potential if handled effectively and efficiently.

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## APPENDIX I

### LETTER OF TRANSMITTAL

Raphael Owino Eden  
Department Of Extra Mural Studies  
School of Distance and Continuing Education  
University Of Nairobi  
P.O. Box: 30197-00100 NAIROBI GPO  
Tel: +254-203318262  
Tel: +254 020 2585841-6/  
254 20 2059163/0735704065/  
0729396808/VOIP +254 02 4918200  
Email: [reg-academic@uonbi.ac.ke](mailto:reg-academic@uonbi.ac.ke)

Dear Respondent,

**RE: THE INFLUENCE OF AGENCY BANKING SERVICES ON CUSTOMER  
SATISFACTION: A CASE OF KENYA COMMERCIAL BANK AGENT SYSTEM IN  
ONGATA RONGAI, KENYA**

I am student in the University of Nairobi pursuing a degree in Masters of Arts, Project Planning and Management. I am carrying out this research as part of my partial fulfillment for this degree. My research aims at assessing influence of agency banking services on customer satisfaction: a case of Kenya Commercial Bank Agent System in Ongata Rongai, Kenya.

I therefore request you to assist me by answering the attached questionnaire. Any information given by you will only be used for purposes of this research and will be treated with maximum confidence and respect.

Thank you in advance

Yours faithfully

Raphael owino eden

## APPENDIX II



UNIVERSITY OF NAIROBI  
COLLEGE OF EDUCATION AND EXTERNAL STUDIES  
SCHOOL OF CONTINUING AND DISTANCE EDUCATION  
DEPARTMENT OF EXTRA-MURAL STUDIES  
NAIROBI EXTRA-MURAL CENTRE

Your Ref:

Main Campus

Gandhi Wing, Ground Floor

Our Ref:

P.O. Box 30197

NAIROBI

Telephone: 318262 Ext. 120

7<sup>th</sup> November 2014

REF: UON/CEESHNEMC/191299

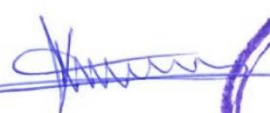
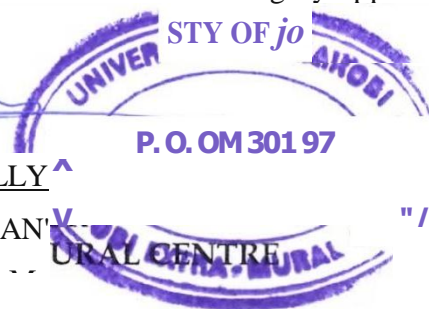
### TO WHOM IT MAY CONCERN

RE: EDEN RAPHAEL OWINO PATRICK - REG NO L50/77731/2012

This is to confirm that the above named is a student at the University of Nairobi College of Education and External Studies, School of Continuing and Distance Education, Department of Extra- Mural Studies pursuing Master of Arts in Project Planning and Management.

He is proceeding for research entitled "influence of agency banking services on customer satisfaction" A case of Kenya Commercial Bank Agent System in Ongata Rongai, Kenya.

Any assistance given to him will be highly appreciated.

  
  
CAREN AWILLY ^  
CENTRE ORGANISATIONAL

AP

### APPENDIX III

THIS IS TO CERTIFY THAT:  
**MR. RAPHAEL EDEN (JWINO)**  
of UNIVERSITY OF NAIROBI, 0-200 NAIROBI, has  
been permitted to conduct research in  
*Kajiado County*  
on the topic: *INFLUENCE OF AGENCY BANKING  
SERVICES ON CUSTOMER SATISFACTION: A  
CASE OF KENYA COMMERCIAL BANK AGENT  
SYSTEM IN ONGATA RONGAI*  
for the period ending: 31st December, 2014

Permit No : NACOSTI/P/14/1137/4260 Date  
Of Issue : 10th December, 2014 Fee  
Received : Ksh 1,000



Applicant's  
Signature

.....  
S/C Secretary  
National Commission for Science,  
Technology & Innovation

#### CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit
2. Government Officers will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice [44-ca](#)



REPUBLIC OF KENYA

(Signature)

National Commission for Science,  
Technology and Innovation

RESEARCH CLEARANCE  
PERMIT

Serial No. A **3847**

## APPENDIX IV: QUESTIONNAIRE

### Instructions

Please take a few minutes to fill out this questionnaire honestly and to the best of your knowledge. The information given will be confidential and will be used for academic purposes only

Place a tick in each box that applies to you. Some questions ask for a written response. Take all the space necessary to complete the question. You may use the back of the form if necessary

### Section A: General information (all respondents)

1. Please state your gender

1) 1.Male [     ]

2) 2.Female [     ]

2. Please state your age.

1) 18-25 [     ]

2) 26- 35 [     ]

3) 36- 40 [     ]

4) 41- 50 [     ]

5) Over 50 [     ]

3. Marital status.

1) Married [     ]

2) Single [     ]

3) Widowed [     ]

4).Any other. Kindly state.....

4. What is your highest level of education?

1) Degree [     ]

2) Diploma [     ]

- 3) Certificate [      ]
- 4) Secondary [      ]
- 5) Primary [      ]
- 6) Any other. Kindly state.....

5. Have you ever used KCB agency banking?

- 1) Yes[    ]
- 2) No [    ]

6. For how long have you been a client of Kenya Commercial Bank?

- 1) 1 – 6 months [      ]
- 2) 6 – 12months [      ]
- 3) 12 – 18 months [      ]
- 4) 18 – 24 months [      ]
- 5) 24 – 30 months [      ]
- 6) 30 – 36 months [      ]
- 7) Any other. Kindly state .....

7. What is your occupation?

- 1) Farming [      ]
- 2) Business [      ]
- 3) Employed [      ]
- 4) Casual labour [      ]
- 5) None [      ]

8. What is your monthly basic salary range?

- 1) Below Ksh. 5000.00 [      ]
- 2) Ksh. 5000 – 10000.00 [      ]
- 3) Ksh 10000 – 15000.00 [      ]
- 4) Ksh15000 – 20000.00 [      ]
- 5) Over Ksh 20000.00 [      ]



9. What are your approximate expenses for the month?

- 1) Below Ksh. 5000.00 [      ]
- 2) Ksh. 5000 – 10000.00 [      ]
- 3) Ksh 10000 – 15000.00 [      ]
- 4) Ksh 15000 – 20000.00 [      ]
- 5) Over Ksh 20000.00 [      ]

10. How far is your home from the Kenya Commercial Bank Agent?

- 1) Less than  $\frac{1}{4}$  km [      ]
- 2) Less than  $\frac{1}{2}$  km [      ]
- 3) Between  $\frac{1}{2}$  km – 1 km [      ]
- 4) Between 1-2 km [      ]
- 5) Over 2 km [      ]

**SECTION B (those who use Kenya Commercial Bank Agents System)**

11. How did you learn about Agent Banking?

- 1) Media [      ]
- 2) Through a friend [      ]
- 3) From an agent [      ]
- 4) Road show [      ]
- 5) from the bank [      ]

12. Have you ever attended any meeting or awareness campaign organized by Kenya Commercial Bank on agency banking?

- 1) Yes [      ]
- 2) No [      ]

13. Do you think that you were adequately prepared to use agency banking?

Circle the scale that best represents your position

1. Strongly agree    2. Agree    3. Neutral    4. Disagree    5. Strongly disagree

14. How often do you use the KCB agency banking?

- 1) Daily [    ]
- 2) Weekly [    ]
- 3) Monthly [    ]
- 4) Once in a while [    ]

15. How do you rate agency services in dealing with you?

	1. Excellent	2. good	3. Satisfactory	4. Poor
Responsiveness(system effect)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Professionalism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transaction time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service Value(belongingness)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competitiveness:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organizational culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology Use	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Confidentiality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Customer satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
convenience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transactional Fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
customer attitude	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. Rate the following statement that best represents your perception based on the below criteria in the table.

1. Low 2.medium. 3. High 4.Very High	How do you rate advocacy for KCB agency
1. Low 2.medium. 3. High 4.Very High	How do you rate repeat purchase for KCB agency
1. Low 2.medium. 3. High 4.Very High	How do you rate consistency for KCB agency
1. Low 2.medium. 3. High 4.Very High	How do you rate customer retention for KCB agency

17. To what extent do you use these services At Kenya Commercial Bank Agency?

Services provided at KCB agent	1.Not at all	2Little extent	3Moderate extent	4Great extent	5Very great extent
1) Cash deposit					
2) Cash Withdrawal					
3) Transfer of funds					
4) Cheque book request					
5) Loan repayment					
6) Balance enquiry					

7) Any other					
--------------	--	--	--	--	--

18. What are the challenges you are facing in using KCB agency banking?

.....

.....

.....

19. In your own opinion, what are the most important issues to be addressed to improve customer satisfaction of KCB agency banking?

.....

.....

20. If you have any other comments on KCB agency banking that you would like to give or How likely would you recommend KCB agency to another? Please use the space below.

.....

.....

.....

Thank you for taking time to complete this question

## APPENDIX V

### Descriptive Statistics

N	Minimum	Maximum	Mean	Std. Deviation	
please state your gender	311	1.00	2.00	1.5241	.50022
state your age	303	1.00	4.00	2.4389	.79863
state your marital status	303	1.00	2.00	1.3762	.48524
highest level of education	303	1.00	4.00	1.4554	.98524
have you used Agency banking before	311	1.00	2.00	1.2186	.41400
for how long have you been a client of KCB	289	1.00	7.00	4.2526	1.72659
what is your occupation	299	2.00	3.00	2.7057	.45650
what is your monthly basic salary	311	1.00	5.00	4.0386	1.37669
approximate expenses for the month	311	1.00	5.00	3.8424	1.27163
distance from home to the nearest KCB	311	1.00	5.00	2.8682	.76957
how did you learn about agent banking	311	1.00	5.00	3.1415	1.62419
have you attended any awareness campaign by KCB on Agency Banking	311	1.00	2.00	1.9582	.20046
are you adequately prepared to use agency banking	311	1.00	5.00	3.4309	1.42813
how often do you use KCB agency banking	289	1.00	4.00	2.3253	.81527
how do you rate agency services in dealing with responsiveness	311	1.00	4.00	2.0611	.76588
how do you rate agency services in dealing with security	303	1.00	4.00	2.1749	.74079
how do you rate agency services in dealing with professionalism	295	1.00	4.00	1.9831	.76691
how do you rate agency services in dealing with Government rules	173	1.00	3.00	2.2601	.56699
how do you rate agency services in dealing with transaction time	187	1.00	3.00	2.5134	.61660
how do you rate agency services in dealing with product quality	265	1.00	3.00	2.2415	.59843
how do you rate agency services in dealing with service value	265	1.00	3.00	2.3736	.79300

how do you rate agency services in dealing with competitiveness	265	1.00	3.00	1.9245	.65854
how do you rate agency services in complying organization culture of KCB	265	1.00	3.00	2.0943	.82260
how do you rate agency services in dealing with technology use	281	1.00	3.00	1.8221	.67903
how do you rate agency services in dealing with confidentiality	281	1.00	3.00	2.1317	.79760
how do you rate agency services in dealing with suitability	281	1.00	3.00	2.0249	.87183
how do you rate agency services in dealing with customer satisfaction	281	1.00	3.00	2.1530	.81157
how do you rate agency services in dealing with transaction fee	289	1.00	3.00	2.0208	.86176
how do you rate agency services in dealing with convenience	289	-2.00	4.00	2.3253	1.39869
how do you rate agency services in dealing with customer attitude	281	1.00	5.00	2.3559	.99357
how do you rate your consistency with KCB agent	276	1.00	4.00	2.9022	.85357
how do you rate your advocacy for KCB agency banking	276	1.00	4.00	3.1522	.77602
how do you rate your repeat purchase at the KCB agent outlet	276	2.00	4.00	2.8696	.48731
how do you rate customer retention at the KCB agent	276	1.00	4.00	2.6413	.77574
to what extent do you use deposit services at the agent	254	1.00	5.00	3.0906	1.23666
to what extent do you use withdrawal services at the agent	265	2.00	5.00	3.6189	.98570
to what extent do you use Transfer Fund services at the agent	265	1.00	5.00	1.5585	1.38900
to what extent do you use cheque book services at the agent	303	1.00	5.00	1.5215	1.12998
to what extent do you use loan repayment services at the agent	270	1.00	4.00	1.4667	.91497
to what extent do you use other services at the agent	257	1.00	4.00	2.8677	1.14820
to what extent do you use check balance services at the agent	101	1.00	4.00	3.1881	.86848
Valid N (listwise)	65				

