International Journal of Economics, Commerce and Management
United Kingdom Vol. III, Issue 6, June 2015
http://ijecm.co.uk/ ISSN 2348 0386

THE IMPACT OF AGENCY BANKING ON CUSTOMER SATISFACTION: A SURVEY ON AGENT BANKS IN KENYA

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Abstract

The problem to be investigated was how agency banking has influenced customer satisfaction in Kenya. The research involved coming up with ways on how banks that use agent banking models were able to satisfy their customers' needs fully and solve problems as they arise. The specific objectives of the research were to find out the relationship between agency banking and on time delivery of customer banking services, find out the extent to which customers utilize agent banking services, to find out the relationship between agency banking and customer service quality assurance, to find out the relationship between agency banking and cost reduction on customer service delivery, and finally to find out whether banks fulfill customer expectation and reliability of agent banking services. The research design involved administering questionnaires to the target population. This target population was customers using agent bank services in the selected regions in Kenya. The target population was 250 agent banking customers. The research used stratified random sampling. It was divided into various strata of *gender, age and employment status. The study showed that most customers were satisfied with agent bank services that is a mean score of above 2.0. The factors that led to this were such as banking agents being highly qualified and responsive towards customer satisfaction. The customers said that they would prefer to go to agent bank outlets other than the bank itself. They also said that they were regular agent banking customers and would recommend it to others.*

Keywords: Banks, Agent, Agent banking, Banking models, Customer satisfaction

INTRODUCTION

Kenyan banks have embarked on an important reform to expand banking services to millions of poor household by enabling third party retail agents as a low cost distribution alternative to branches. According to the Fin Access National Survey (June 2009) banks have billions at their disposal yet most of this goes to big corporate organizations and high net worth clients while the majority of Kenyans remain excluded, with only 23 per cent of the country's population aged above 18 years holding bank accounts. (Business Daily Monday February 2012)

Agent banking is a retail outlet contracted by a financial institution to process client 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.

In Kenya, these agents are increasingly utilized as important distribution channels for financial institutions. Therefore, Customers being the most important asset any organization has, their satisfaction is the livelihood of any organization. Customer satisfaction is a state of mind that a customer has about an organization in which their expectations have been met or exceeded over the life time of the service use. According to Thompson (1999), satisfaction maybe achieved through encouraging face to face dealings, being friendly and approachable, having a clearly defined customer service policy, anticipating clients" needs, keeping customers informed and honoring your promises.

Banking agents are usually equipped with a combination of point of sale (POS) card reader, mobile phone, barcode scanner to scan bills for bill payment transactions, Personal Identification Number (PIN) pads, and sometimes Personal computers (PCs) that connect with the bank's server using personal dial up or other data connection. Clients that transact at the agent use a magstripe bank card or their mobile phone to access their bank account.

Identification of customers is normally done through a PIN, but could also involve biometrics. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel.

Statement of problem

Customers are the most important factor to any organization. It is therefore important for organizations to ensure that their customers are satisfied with the organizations products and services. Statistics are bandied around that suggest that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when they win a customer, they should hang on to them. Once an organization has set its goals to satisfy customers in all aspects it has to ensure that the customers' expectations and needs are met according to their specifications. Banks need to identify the various techniques and methods that can be used to satisfy customers and to understand how to apply them .For example, banks have adopted agent banking as a way to reduce congestion and to reach more customers in remote and unbanked areas. Thus, it is for these reasons that there was a need to carry on this study on the impact of agency banking on customer satisfaction.

Research objectives

To find out the impact of agency banking on customer satisfaction.

Specific objectives of the study

(a) To find out the relationship between agency banking and on time delivery of customer banks services.
(b) To find out the extent to which customers utilize and perceive agency banking services.
(c) To find out the relationship between agency banking and customer service quality assurance.
(d) To determine the reliability of agency banking on customer satisfaction.
(e) To determine the level of customer confidence in agency banking services

Research questions

(a) How is customer's time being saved as far as agency banking is concerned?
(b) How is agency banking being utilized by the customers?
(c) What is the contribution of agents towards customer satisfaction in Kenyan banking sector?
(d) How has agency banking improved customer quality assurance on service delivery?

Significance of the study

The study was to help in analyzing the importance of attending to customers and ensuring they have a positive experience with the agency banking services. It will also justify whether the banks will be able to retain the customers as well as helping to ease the problem of unbanked population. The findings of this study will be useful to different cohorts of the population. Moreover, the findings of this study can be used by the banking institution to improve or expand their services in a way geared to economic empowerment and customer satisfaction to all involved. Finally, the findings may be used as secondary data for other studies.

Scope of the study

The study focuses on the impacts of agency banking on customer satisfaction in Kenya. It was carried out on selected agent banks mainly Coop Kwajirani, KCB mtaani and Equity agents.

LITERATURE REVIEW

Agency Banking

The Finance Bill, 2009 sought to introduce agency banking. Institutions would be allowed to conduct banking business through third party agents duly approved by the Central Bank. The Central Bank would be required to prescribe the manner of carrying out agency banking business. In preparation for the new model of conducting banking business, banks supervision department carried out preparatory work with regard to the formulation of guidelines to guide agent banking. This entailed review of the knowledge based on agent banking, commissioning of a preliminary study in conjunction with the Financial Sector Deepening Trust (FSDT) to provide a broad policy guidance on implementation of agent banking in Kenya and undertaking a knowledge exchange tour of Brazil and Columbia in October 2009 facilitated by the Alliance for financial inclusion to get practical insights on agent banking. (Banking in Kenya, September 14th 2011)

Agency banking in Kenya is the new way that banking in Kenya is using to take banking services to the unbanked and under banked at a cheaper rate. The banks are training agents who will engage in banking services on behalf of the banks.

Agency banking is not new in the world. It has been used very well in Latin America and Asia. There are few African countries that have taken up agency banking. The agency banking in Kenya guidelines were enacted in 2010. Banks must first apply to central bank of Kenya to get approval to conduct agency banking business. The board of directors of each banking institution interested in agency banking must make policies, guidelines and procedures to be followed to ensure that the agents are credible, risk identification and mitigation measures are in place and agents are audited on an ongoing basis to ensure that they follow the guidelines from Central Bank, their contracts and the banking policy.

Agency banking in Kenya requirement

Agents must also through the banks that sponsor them apply to run agency banking in Kenya business. The agency banking network approval requires some conditions to be met together with completing the Agency Banking Network application form. These conditions include: The proposed or expected number of agents in each province for the next three years, a report of the due diligence policy and procedures for their agencies, the service that the agency would provide on behalf of the bank, the draft generic agency contract, the policies, procedures and the technology the bank will apply and use at the agency outlet, risk management and mitigation policies in place, internal controls and audits performed prior to agents engaging in agent banking and policies on anti-money laundering. Additionally, the bank provides their channel, growth and business strategy for agency banking and how it fits in with the overall global strategy of the bank.

The application form for Agency banking is accompanied by a non-refundable fee of Kenya shillings 5,000. Where an application has been rejected, central bank responds to the applicant within thirty days of having received the application from the bank. After the conditions have been met, the bank can resubmit their application to central bank.(Banking in Kenya, September 14th 2011)

Agency banking application form

An agent application form is sent to central bank for approval before the agent can start transacting on behalf of the bank. A fee of Kenya shillings 1,000 per agent is required. Application is renewable annually and the fees are payable yearly. The form contains the following details: Agent name, location, postal addresses and telephone contacts, the business the agent carried out for the last eighteen months, the banking services that the agent will handle on behalf of the bank and a confirmation or declaration from a senior member of the prospective agency stating that the minimum qualifications requirements have been met.

Agency banking approved activities in Kenya

Activities that the agency can engage are determined by the bank after assessment of the agent. The agency does not have to perform all the activities. These include but are not limited to, cash withdrawal and deposits, repayments of loans, bills payment, salary payments, funds transfer and balance enquiry, document collection for debit and credit cards, loan applications and account opening forms, cheque book requests and collection, collection of bank correspondence and mail and mobile banking services. Agency banking transactions are denominated in Kenya shillings.

Activities prohibited for agency banking in Kenya

Some activities are prohibited and when an agent continues to perform them prohibited their contract may be terminated. These activities include: Performing and carrying out transactions which must have a receipt or acknowledgement when the networks and communication failure is experienced, charging customers any fees, carrying out agency banking business when agent is no longer a going concern, offering its own banking services apart from the sponsoring bank, anti-money laundering services, foreign exchange transactions, en-cashing and depositing of cheques, provision of cash advances and loans and subcontracting to any business to run its agency banking

Agency banking in Kenya termination of services

A bank or central bank may terminate an agency contract. The bank that had registered the agent must inform the general public by posting the most appropriate notice around the premises or vicinity of the agent. A contract for agent banking may be terminated when the agent is no longer a going concern, the agent suffers damage or financial loss that is not remedied after three months, is involved in criminal activities(fraud and financial mismanagement), is declared bankrupt by the courts and is being wound up, death of a sole proprietor or mentally incapacitated owner, has expired business licenses, violates the provisions of the agency banking guidelines or the terms of the contract with the bank.

Benefits of agency banking to banks

It is not only the customers who have benefited from Agency Banking but also banks have benefited a great deal at a time when most banks are working towards cost management. Some of these benefits include: huge savings on cost of construction of bank premises and leasing costs when banks are using the Agency premises, reduction of human resource expenses (the banks do not have to employ new staff to manage the agency and the cost of training if any is to the bare minimum),savings on equipment like furniture and computers, additional delivery channels hence easier to tap more deposits and transaction best income, and finally agent cost will most certainly be passed to consumers (Robert J Waller 2010, www.traderspress).

Challenges of agency banking to banks

There are of course challenges that the banks need to address to avoid losing customers and maintaining the Banker- Customer relationship. The customer is still the responsibility of the Banks and the same has not been delegated to the Agency. Some of the challenges that need to be addressed are-

a) Operational risk: system liability, data security, risk of misuse, quality of service, cash float availability, fraud infrastructure challenges, strategic differences.
b) Legal risk- possible litigation on customer transaction issues.
c) Human resource-high turnover of agent employees
d) Confidentiality – Every year Banks ensure that their staff members sign secrecy forms and maintain confidentiality for all customer information. This should be looked at as these agency employees are not bank employees.
e) Security – Most of these agencies are in areas that are what would be considered 'high Risk'. The Bank needs to audit the security measures being taken by the agencies to ensure the customer can transact confidently without having to look behind their backs.
f) Customer service to the bank customer – Service is a huge challenge for the banks as they need to train and retrain the Agents so as to maintain high levels of customer service.

The bank must address the challenges that are posed by having agency banking while at the same time taking advantage of all the benefits of having this channel of banking. Agency Banking may eventually lead to financial inclusion in the countries where it has been adopted. : (aitecafrica.com 2010)

Transaction process

For the client, there is no difference in accessing his or her bank account at the agent or in a branch or at an ATM. However, besides signing a contract with the financial institution it will be working for, the banking agent also has to open a bank account at the same time. In addition, the store has to deposit a certain amount of cash into that account which will serve as the banking agent's "working capital." In many cases, rather than asking the agent to come up with the cash deposit, the financial institution will extend the store a credit line. The size of the credit line is normally not standardized, but adapted individually to each agent depending on its size, the expected volume of transactions and how long the agent has already been working with the bank. This is how the credit line will be used during each transaction:

a) Client withdraws money ("cash-out" transaction): agent account is credited in same amount.

b) Client deposits money (“cash-in” transaction): agent account is debited in same amount.

In case the agent’s credit line had reached its limits, and the agent’s bank account does not have sufficient funds, to cover the received funds, the POS will block and can only be DE blocked if the funds have been deposited in the next bank account. The transaction process for banking services using a bank card is simple:

1. An existing bank client presents his card at the agent and requests a specific transaction and the amount to be withdrawn, deposited, or transferred;
2. The agent selects the type of transaction on the POS device or personal computer, enters the amount, swipes the client’s card through the device, and lets the client enter his PIN;
3. A General Packet Radio Service (GPRS), dial up, or satellite communication connects with the bank’s server to authorize the transaction;
4. Once the transaction has been authorized, the device prints the client’s receipt

The new agency banking regulation

In February 2011, the Central Bank of Kenya (CBK) released regulations to govern a new agency banking model. The regulations allow banks to offer services through third party agents approved by the CBK. Agents can be telecom outlets, SMEs, retail chains, savings and credit co-operatives (SACCOs), or even ‘dukas’ (corner shops) – essentially any profit-making entity that has been in business for at least 18 months and can afford to fund a float account and facilitate payments. Kenya Commercial Bank (KCB), Co-operative Bank and Equity Bank, all financial institutions with a large retail footprint, are in the process of rolling out agent banking networks. KCB expects to have 2,000 agents by the end of 2011. Equity Bank has recruited 8,000 agents, with 2,000 in operation. Co-op Bank has already seen its profits increase through partnerships with SACCOs that tap deposit pools in rural areas. Effectively, the agency banking model provides an extension into a market already targeted: Co-op Bank and Equity have both succeeded with business models aimed at low income customers. Up-market banks may follow suit. According to David Ndome, Head of Agent Banking for KCB, expects competition at the agent level to grow and defend the market share.

Under the CBK regulations, agents can offer a number of banking services, including cash deposits and withdrawals, fund transfers, bill payments, loan payments, payment of benefits and salaries, and collection of account and loan applications. However, agents are limited to cash-only transactions and cannot assess applications. Through KCB’s model, customers are charged KES20 per deposit, which goes to the agent, and KES70 for a withdrawal, split evenly between the bank and the agent (Ratio Magazine, Wednesday 22nd June 2011).

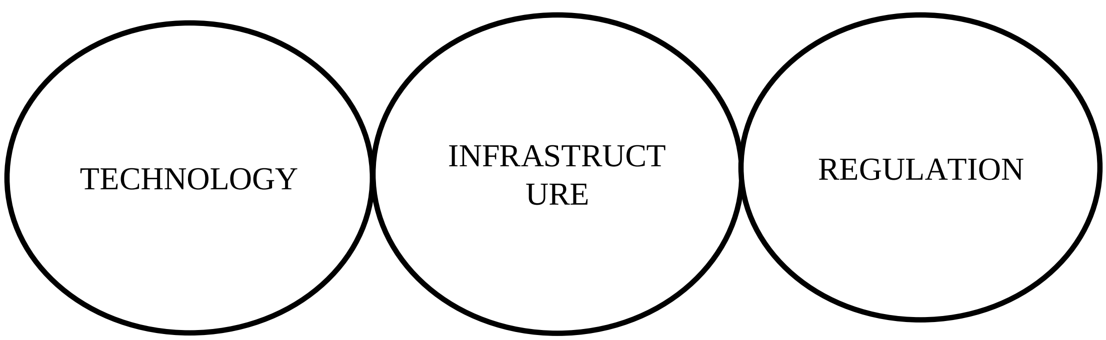
Technology versus infrastructure constraint

The CBK regulations require that agents have secure operating systems capable of carrying out real time transactions, generating an audit trail, and protecting data confidentiality and integrity. This is all driven by technology: Transactions can be made via mobile phone, a point of sale (POS) system, or internet banking, and must be reflected immediately on the bank's side in the core banking system. Orange Money does this by operating on a shared real-time platform with its agents that allows customers to deposit cash into their Orange Money account and then access it immediately at an Equity branch or ATM. Shared infrastructure protects data integrity, reduces operation costs and keeps transaction fees low.

So far, spotty mobile connectivity and electricity supply in rural areas have not interfered with the real time system. All transactions are currently conducted via the mobile banking platform, which means no need for a constant power supply. When POS systems are put in place, those will also connect through the mobile network.

The developments of technologies have enabled organizations to provide superior services for customers' satisfaction (Surjadjaja et al, 2003). This is shown in the figure below.

Figure 1. Frontier of agency banking



Source: aitecafrica.com 2010

Technology

Technology includes security, reduced transaction cost/increased efficiency, flexibility, ICTs permit real-time (or close-to-real-time) settlement of transactions, ICTs allow for detailed transaction records (at tiny per-transaction cost)

Infrastructure

Falling costs and rising availability of relevant ICTs (especially mobile phones) and low cost of tapping into existing retail distribution channels (Post offices, Petrol Stations, Cell phone airtime retailers etc. Potentially any retail outlet with cash on hand), Inter-operability, future agents will serve more than one institution.

Breaking the mobile money Mould

At present, most agents only process deposits and withdrawals, which offer minimal value beyond M-PESA. However, banking services that break the mobile money mould are coming soon: Key amongst these may be the collection of loan applications. Mortgage lender Housing Finance recently announced plans to move into agency banking as a way to increase deposits bring interest rates down and sell home financing services in rural areas. John Staley, Director of Mobile Banking and Payment Innovations for Equity Bank, says that Equity plans to grant loans to customers through agents, without requiring any face-time in an Equity branch. This will be done through statistics-based credit scoring. Banks determine scores based on a customer's transaction and saving patterns over time and a bit of demographic information, with small loans given first that can be stepped up as repayment habits are established. On top of this evaluation, banks can look to the agents themselves for knowledge of their customers' credit worthiness. Many businesses in Kenya already operate on an informal credit system that allows return clients to purchase now and pay later. Equity has already pre-scored two million of its customers.

An equally important question is how the relationship between agent banking and mobile money will evolve, and whether these models will continue to multiply financial services across income levels.

Staley argues that true financial inclusion will require cheaper transaction costs: For someone earning KES175 a day (roughly the equivalent of USD2, now the low end of the middle class according to the World Bank), KCB's KES70 withdrawal charge could be prohibitive. However, M-PESA has managed to reach 14m Kenyans with a KES35 transaction charge. This is in part because wealthier (often urban) customers tend to cover those charges when sending money to poorer (often rural) customers. The wealth transfer trend could hold true for agent banking services, which would allow rural clients to save the money sent by their urban friends. Bringing costs down is certainly still a good idea when thinking about micro-account administration. To do this, Staley says regulators should consider equal access to the delivery channel that is mobile phones and interoperability of agents. Telecoms operators control the mobile network, which means banks must pay them for the communication costs on every agent transaction, whereas a telecom offering a similar service does not have to pay a third party for the communication channel. And while banking agents can sign contracts with multiple banks, mobile money agents are exclusive. Therefore, with its 27,000 exclusive agents, Safaricom controls the bulk of the nation's financial service points. By comparison, Kenya only has 1,700 ATMs. It will be a while before the banks can catch up to Safaricom through the spread of banking agents. However, Safaricom has invested vast amounts of time and money to build up its agent network. CBK had turned down a request by other mobile operators to force Safaricom to open up its system, arguing that the competition must display similar investment before they can use Safaricom's network. In the meantime, partnerships like M-KESHO are a good way to integrate the systems and offer more convenience and access to customers. But there is a delicate balance: Safaricom is now looking at a scoring model based on airtime and M-PESA usage to add personal loans to its range of mobile services (Business Daily, By Kui Kinyanjui, June 14th 2011).

The agent banking model

According toProf. Njuguna Ndung'u, Governor of Central Bank of Kenya, Banks will be able to leverage on additional cost effective distribution channels to offer financial services. This initiative is informed by the need to leap frog access to financial services in Kenya (Prof Njuguna Ndung'u report, 14th Jan 2010).

Despite the impressive performance by banks, customers continue to shoulder the heavy burden of high transactional costs. This historical burden has to be dislodged now. In an effort to bring down the cost of offering financial services to the Kenyan public, Central Bank together with other stakeholders have put in place a business model aimed at broadening financial inclusion to the majority of Kenyans at a lower cost – The Agent Banking Model. It is envisaged that this model will enable banks to leverage on additional cost effective distribution channels to offer financial services. To achieve this, the Banking Act was amended through the Finance Act, 2009, to permit banks to contract third parties to provide certain banking services on their behalf. The guidelines to facilitate the rolling out of agency model were issued by the Central bank and took effect from May 2010.

Customer Satisfaction

Customer satisfaction, as a specialised practise, is over 25 years old. Born out of the industry's focus on the quality movement in the 70s,the paradigm of linking agent banking, customer satisfaction and their impact on business outcomes has gone through many stages of development.

All businesses want satisfied and loyal customers who want to do business with them not only because they get better value in terms of product, price and service, but also because these customers continue to have pleasant experiences with them. To assess and monitor these attitudes and expectations, businesses today conduct a wide variety of customer feedback surveys. The underlying assumption is that customer satisfaction goes hand in hand with the fact that the business is reaching a wide range of customers who are either profitable now or possibly will be in the future. Some companies that have some well established feedback systems (often called legacy programs) have a hard time migrating to the newer paradigm of satisfaction.

Factors leading to customer satisfaction

A huge range of factors can contribute to a customer satisfaction, but your customers-both consumers and other businesses-are likely to take into account: how well your product or service matches customer needs, the value of money you offer, your efficiency and reliability in fulfilling orders, the professionalism, friendliness and expertise of your employees. Other factors are how well you keep your customer informed and the after sales service they provide.

Luiz Moutinho and Douglas T Brownlie (1989) explored the nature and direction of the satisfactions that are delivered to customers of bank's services. It was revealed that respondents had high levels of satisfaction with regard to the location and accessibility of bank branches and acceptance of current levels of banking fees but expressed some caution in their evaluation of new and improved service.

Study by Susan Fournier and David Glen Mick(1999) revealed that customer satisfaction is an active, dynamic process that involves overtime and should not be considered only from the perspective of a single transaction. Findings suggest that the (dis)satisfaction of other relevant household members often contribute to an individual customer's (dis)satisfaction.

Importance of working on customer satisfaction

Customer satisfaction has to be improved and worked on as far as agent banking is concerned. Customer care and service should be enhanced so as to attract more and more customers who will be willing and able to use the specific banking services of the banks providing agent bank services. A satisfied customer can rely on the bank for a long time and is willing to welcome his or her friends to use the same banking services of that specific bank, hence increased sales of agency banking services leading to a higher profitability of the bank.

How to keep your customers happy

According to White 1998, the benefit of ensuring long term customer satisfaction if the free word of mouth advertising. One of the very best information that any company or sales person can get is from a happy buyer. You need to be available to your customer. If they have a question, problem, complement or complaints, be there. The banking agents may use phones, emails and notices, whatever is appropriate and practical. Always respond in a timely manner, which will make the customer feel that you value them and their time. Make sure to see the situation through to resolution. The goal remember, is to affect lasting results.

Staying communicative with your customers post-sale is another good thing to do, but hounding them is not. Please do not go overboard with a barrage of emails and offers after they have made an enquiry. Another way to encourage warm fuzzes is to offer occasional freebies. If you can give people something of value, they will be appreciative. You don't have to spend a lot of money. Anything useful is particularly good.

Customer relationship management

Before spending time and money going after new customers, one should have a relationship with the current ones first. Building these relationships means treating your customers as if they truly are your strategic partners and showing them that you truly care about them. It is important that to try and satisfy them with right services by making the services available at the right time and location. One may spend twice as much to get new customers than maintaining your existing customer base, therefore the need to maintain the existing ones. A study by Rosenberg and CZPeil (1984) claims that it's between five to ten times as expensive to win a new customer as it is to retain an existing one.

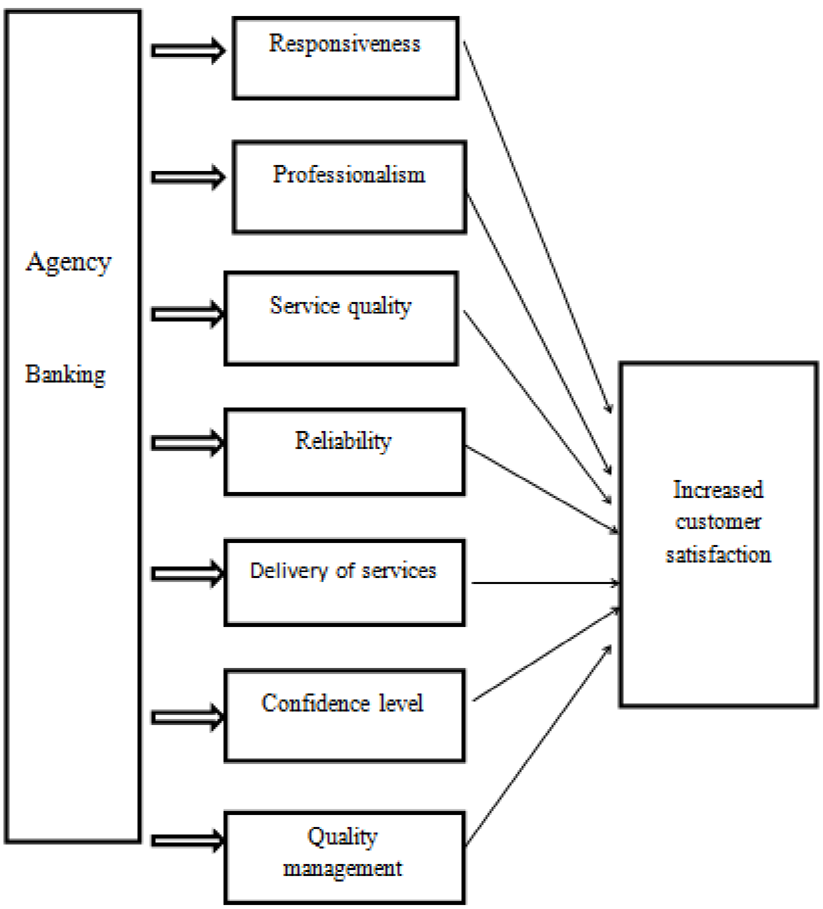
Conceptual framework

The research problem above involved examining the impact of agency banking on customer satisfaction as far as provision of financial services is concerned. In this study, there are two variables that is, Agency banking being the independent variable and Customer satisfaction being the dependent variable.

The objective of this study was to find out the impact of agency banking on customer satisfaction. These two variables were measured by use of a questionnaire whereby questions on the measurable objectives i. e responsiveness, professionalism, service quality, reliability, delivery, confidence and quality in general were rated as poor, satisfactory, good and excellent so as to gauge the level of customer satisfaction on provision of agent banking services by banks to customers.

Many banks in Kenya have now turned to creating more and more agent banking outlets in marginalized and remote areas so as to increase the sales of their financial services. This has been due to increased congestions, queuing in banks and centralized service delivery sites in banking halls. This has resulted to too many customers having a negative opinion over service delivery by financial institutions thus opting for other ways of satisfying their financial needs e.g. use of mobile banking etc. The banks have taken this as an existing gap in the market where they have made their financial services accessible, efficient and effective by creating agent banking outlets in unbanked and unreached areas. This study tries to establish and measure the level of customer satisfaction by banks through their adoption of agent banking models and whether there is a need for more improvement in agency banking.

Figure 2. Conceptual Framework



Customers stay with the company longer. Customer deepens their trust with the bank and recommends company's services to others. Happy customers tell 4 to 5 others of their positive experience. Dissatisfied customers tell 9 to 12 how bad it was. It costs between five to six times

more to attract a new customer than to keep an existing one. Companies can boost profit anywhere from 25% to 125% by retaining merely 5% more existing customers. (Rigsbee 1998)
Research has found that service quality in banks is critical for satisfaction and retention of customers (Jabnoun & Al-Tamimi,2003).Keeping in view the significance of service quality as a means of competitive advantage and organizational sustainability, the banks pursuing multidimensional approaches to improvement in service quality to attract and retain customers (Newman, 2001).

RESEARCH METHODOLOGY

Research design

The research design that was used in this study was a survey design and case study. The cross-sectional survey design was used. This design entailed the collection of data of more than one case and at a single point in time in order to collect a body of quantifiable data in connection with several variables which were then examined to detect the patterns of association (Bryman 2001). A survey method was used in this study.

Population and sample size

The population of study consisted of the agency banking customers. The areas surveyed much were mostly Equity Bank customers, Kenya Commercial Bank customers and Co-operative Bank customers in Voi, Meru, Kitui, Eldoret, Kakamega, Tharaka and Nairobi.

A random sample of 250 customers was selected. In determination of the sample size, geographical location of the agent banks was considered in order to have both urban and rural users represented. The respondents were people from different backgrounds, different age, and gender, level of education and status of work whether employed or non-employed.

Instrumentation

The main instrument that was used in collection of data for the study was a questionnaire that consists of closed ended questions and observations. The questionnaire consisted of seven questions which focused on the degree of satisfaction, and it was divided into two parts. First part focused on customer satisfaction, whereas the second part focused on general information. More suggestions and comments were made.

Data collection

Data was collected using a semi-structured questionnaire served on respondents through direct contact with the customers and drop and pick methods. The methods were chosen because of time and cost. The exercise obtained core information and supplementary information was obtained through further probing of the respondents and by reading relevant publications of other agents in the industry. Out of the 250 questionnaires, 249 were completed. This gives a response rate of 99.6%.

Data thus collected was analyzed using descriptive statistics. Editing was undertaken before data analysis. The raw data was coded into micro soft excel and later imported into SPSS for data view and variable view.

ANALYSIS AND DISCUSSIONS OF FINDINGS

Respondents' Demographic Profile

By Gender

Out of 249 respondents, 95 were female and 154 were male. Thus, majority of the respondents were male. Table 4.1 shows this summary.

Table 1. By Gender

Respondents by Gender	Frequency	Percentage	cumulative %
Female	95	38.2	38.2
Male	154	61.8	100
Total	249	100	

The table above it shows that most of the agent bank customers were male. This shows that most males have bank accounts and prefer use of agent banks to access financial services. On the other hand female were fewer compared to male, this is because most females may not have bank accounts or they were unaware of the existence of agent banks.

By Age

A summary of the respondents 'ages is presented in table 4.2. As is evident, majority of the respondents, 70 %, were between 21-30 years. These were followed by those aged 31-40 years (12%) and then those aged above 40 years (9.6%) and finally those below 20 years (8.4%).

Table 2. By age

Respondents by Age	Frequency	percentage	Cumulative %
Below 20 years	21	8.4	8.4
21-30 years	174	70.0	78.4
31-40 years	30	12.0	90.4
Above 40 years	24	9.6	100
Total	249	100	

The table above shows the respondents aged 21-30 years were the majority in using agent banking services. This is because most of them were youths and they could be more aware of the existence of agent banks which provide fast and low cost services as compared to the banks.

The respondents aged 31-40 years also benefit from agent banking services but most of them could be unaware of the existence of agent banks.

The respondents above 40 years could be resistant to change from main bank branches to agent banks due to great experience of using banks.

The respondents below 20 years may have no bank accounts or may have minimal bank transactions.

By education level

A summary by the respondents' education levels is summarized in table 4.3. As is evident, majority of the respondents, 46.2%, have attained University education. Then followed by those with diploma (21.3%), then respondents with secondary level of education (20.5%), then those with no education at all (10.4%) and finally respondents with primary level of education (1.6%).

Table 3. By education level

Respondents by education level	Frequency	Percentage	Cumulative %
None	26	10.4	10.4
Primary	4	1.6	12.0
Secondary	51	20.5	32.5
Diploma	53	21.3	53.8
University	115	46.2	100
Total	249	100	

The above shows most of the respondents had university education, followed by diploma level. This could be because of their greater Knowledge of the existence of agent bank services. Those respondents with secondary, primary and no education could be unaware of existence of agent banks and could not be having bank accounts.

By employment status

A summary of the respondents' employment status is as shown in table 4.4. As is evident, majority of the respondents, 72.3%, were unemployed while 27.7% were employed.

Table 4. By employment status

Respondents by employment status	Frequency	Percentage	cumulative %
Unemployed	180	72.3	72.3
Employed	69	27.7	100
Total	249	100	

The table above shows that most of the respondents were unemployed; this could be because most of them were youths and not yet employed. Others were self-employed and their bank accounts are normally very active because of small daily transactions. The employed respondents were fewer than the unemployed. This could be because many of them are above 40 years and could therefore be resistant to change from main branches to use of the agent banks.

By location

A summary of the respondents' location is as shown in table 4.5. As is evident, majority of the respondents, 27.3% were from Voi, followed by Eldoret,20% , Nairobi15.7%,Meru 13.7%,kitui 13.3%,Tharaka 7.6%and finally Kakamega 2.4%

Table 5. By location

Response by location	Frequency	Percentage	Cumulative %
Eldoret	50	20	20
Kakamega	6	2.4	22.4
Kitui	33	13.3	35.7
Meru	34	13.7	49.4
Nairobi	39	15.7	65.1
Tharaka	19	7.6	72.7
Voi	68	27.3	100
Total	249	100	

The table above shows that majority of the respondents were from Voi. This could be attributed to the fact that Voi town being the most unbanked compared to others had the most agent bank outlets hence more agent bank users. Other locations such as Eldoret, Nairobi, Meru and Kitui had lesser agent bank users as many customers preferred main bank branches to agent banks outlets. Tharaka and Kakamega respondents were unaware of existence of agent banks.

Level of customer satisfaction

Respondents' satisfaction levels are summarized in table 6 below. The responses are captured in percentages (%) and means for the various attributes used to measure customer satisfaction.

The respondents were to rate their level of satisfaction using a scale ranging from poor (1) to excellent (4).

Table 6. Customer satisfaction levels

Elements	Poor %	satisfactory %	Good %	Excellent %	Mean score
Responsiveness	*4.4*	*22.9*	*49.0*	*23.7*	*2.92*
Professionalism	*10.4*	*32.9*	*28.5*	*28.1*	*2.74*
Service quality	*4.4*	*28.5*	*38.2*	*28.9*	*2.92*
Reliability	*11.2*	*28.1*	*34.9*	*25.7*	*2.75*
Delivery	*6.0*	*29.7*	*36.5*	*27.7*	*2.86*
Confidence	*9.2*	*26.1*	*29.7*	*34.9*	*2.90*
Quality Management	*8.4*	*28.5*	*32.9*	*30.1*	*2.85*

The table above shows that the response to customer satisfaction elements was rated as "good" since all the elements had a mean score of above 2.00. This implies that most of the respondents felt that they could trust agent banks and deal with them freely. They also felt that bank agents were competent and always ready to serve them. They also felt that agent banks offered high quality services, good service delivery, and reliable services and were more responsive towards their complaints.

The impact of agency banking on customer satisfaction

The overall levels of customer satisfaction indicate customer's perception on agency banking. The procedures used were to determine whether there is significant impact of agency banking on customer satisfaction. The determining question is whether there is a significant difference on customer satisfaction due to customer's gender, age, and education level and employment status.

Level of customer satisfaction and customer's gender

To test whether the customer's satisfaction levels on agency banking was dependent on gender; both male and female respondents were interviewed. This was to find out if there was a significant difference between male and female respondents on their perceived level of customer satisfaction.

The mean values are basically descriptive in nature, we are not able to determine whether the observed differences are due to sampling errors or indeed the differences are statistically significant that is, should another sample be taken from the same population, are we likely to obtain consistently similar results? To overcome this hurdle paired sample t- tests were performed and the results were as shown in table 7, table 8 and table 9.

Table 7. Analysis of customer satisfaction by gender using paired sample statistics

Variables	Correlation (sign)	t-values (sign)
Responsiveness	*-0.007(0.947)*	*1.617(0.109)*
Professionalism	*-0.105(0.309)*	*0.835(0.406)*
Service quality	*0.147(0.154)*	*-0.283(0.778)*
Reliability	*-0.127(0.220)*	*-0.930(0.355)*
Delivery	*-0.030(0.771)*	*0.712(0.478)*
Confidence	*-0.062(0.554)*	*0.555(0.580)*
Quality management	*-0.027(0.797)*	*-0.076(0.940)*
No of observations	*95*	

From the paired sample statistics in the table, it can be concluded that the observed difference in responsiveness, professionalism, service quality, reliability, delivery, confidence and quality management due to gender were statistically insignificant at 5% significance level. This shows that both female and male were aware of the existence of the agent bank outlets and could access them often hence the difference was insignificant. This means that they all benefits from agent bank services.

Level of customer satisfaction and customer's education level

To test whether the level of perception of customer satisfaction is dependent on education level, the respondents were divided into two categories i.e. highly educated (diploma and university level) and less educated (including primary and secondary). This was to find out if there was a significant difference between the highly educated and less educated respondents in their perceived levels of customer satisfaction.

Table 8. Analysis of customer satisfaction by education level using paired sample statistics

Variables	Correlation (sign)	T-values (sign)
Responsiveness	*0.059(0.598)*	*-2.135(0.036)*
Professionalism	*0.075(0.504)*	*-4.339(0.0000)*
Service quality	*0.130(0.246)*	*-3.730(0.0000)*
Reliability	*-0.124(0.270)*	*-2.032(0.045)*
Delivery	*0.001(0.996)*	*-3.362(0.001)*
Confidence	*0.075(0.506)*	*-3.559(0.001)*
Quality management	*0.013(0.906)*	*-3.538(0.001)*
No of observations	*81*	

From the paired samples statistics in the table above, it can be concluded that the observed differences in responsiveness, professionalism, service quality and reliability, confidence level and quality management in use of agent banks by bank customers were statistically significant at 5% significance level. Those who were less educated could be unaware of the existence of agent banks; they did not have bank accounts, while others were resistant to change from the main banks to the agent banks. Those who were highly educated were aware of the existence of agent banks and were satisfied with the agent banking services.

Level of customer satisfaction and customer's employment status

In order to test whether the level of perception of customer satisfaction is dependent on employment status, the respondents were divided into two categories i.e. employed and unemployed. This was to find out whether there was a significant difference between the employed and unemployed respondents in their perceived level of customer satisfaction.

Table 9. Analysis of customer satisfaction by employment status using paired sample statistics

Variables	Correlation(sign)	t- test (sign)
Responsiveness	*0.117(0.339)*	*-0.109(0.914)*
Professionalism	*0.120(0.326)*	*-0.639(0.525)*
Service quality	*-0.035(0.775)*	*0.953(0.344)*
Reliability	*0.299(0.013)*	*-0.832(0.408)*
Delivery	*0.146(0.233)*	*0.687(0.494)*
Confidence	*0.231(0.056)*	*-2.415(0.018)*
Quality management	*0.099(0.419)*	*-1.965(0.054)*
No of observations	*69*	

From the paired samples statistics in the table above, it can concluded that the observed differences in confidence level and quality management in use of agent banks by bank customers were statistically significant at 5% significance level. The customers were not confident with the use of agent because they felt that the bank agents were not well trained to meet their complaints as they arose. Most of the customers were uncertain of the quality management of the agent bank outlets.

SUMMARY AND CONCLUSION

The study showed that most customers were satisfied with agent bank services i.e. a mean score of above 2.0. The factors that led to this were such as banking agents being highly qualified and responsive towards customer satisfaction. The customers said that they would prefer to go to agent bank outlets other than the bank itself. They also said that they were regular agent banking customers and would recommend it to others.

From the study, it was established that different attributes of customer satisfaction can be used to improve agent banking services. These attributes include responsiveness towards customer's service quality and have a drive to attend to customers. Offering a wide variety of agent banking services also helps since customers prefer to go to an agent banking outlet where they can get all the services offered. It is thus important for agent banks to look into ways of satisfying its customers as it leads to being loyal to the bank which eventually leads to more business hence more profits for the banks.

RECOMMENDATIONS

The agent banks should have a good customer service department as it is shown that customers need a lot of attention and must be handled with care.

The agent banks should find out all customer needs and expectations such granting loans based on analysis given by agents and use of agents to monitor portfolios in unbanked areas. Upon identifying and understanding them, the agent banks should ensure that they meet these needs and offer more to the customers so as to ensure satisfaction.

Banks should train its agents on handling customers since it was found from the study that customers value how the bank agents treat them, how they respond to their complaints and service delivery duration.

Banks should look into ways of increasing the agent banks outlets mainly in unbanked areas so as to reach more customers.

SUGGESTIONS FOR FUTURE RESEARCH

There is a need to replicate this study to other banks and to other parts of the country. Future studies should attempt to achieve a larger sample so as to determine whether the results can be generalized. Further studies can also be done to establish the relationship between agency banking and customer retention or relationship between agency banking and bank's market share.

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