ISSN 2250-3153

Investigation on Importance of Agency Banking in Provision of Banking Services in Kenya:

(A Case of Equity Bank) in Kitui Central District, Kitui County, Kenya.

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Abstract- Agency banking has become one of the essential services in the banking sector in bringing their services closer to the people at the grass -root or in remote areas where brick and mortar branches are not present. This study focuses on the role of agency banking in providing and availing the banking services to the customers. The purpose is to explore the functionality and contribution of agency banking. This study assessed the role of agency banking in increasing accessibility to banking services and helping in decongesting the banking halls in Kitui central district, through an analysis of the costs and benefits raised by agency banking and how these are distributed among the stakeholders. The researcher was guided by the following objectives:- To investigate the cost of banking transactions through agency banking, to investigate the efficiency of agency banking in time saving ,to investigate the convenience of banking products offered through agency banking and to investigate if availability of bank agents has increased the opening hours to increase accessibility for banking services. The study used descriptive survey design and the target population was six equity bank agents and one hundred (100) A/C holders in Equity bank in Kitui Central district. Data was collected using questionnaires and review of documentation. Data analysis was done quantitatively using inferential statistics mean, mode, median and percentages with the help of computer software statistical package for social scientist (SPSS) and then presented in tables, bar charts and graphs. Qualitative data was analyzed thematically according to the study objectives. The findings of this study are; The banking agency availed banking services closer to the customers leading to more accessibility hence saving the customers the transport cost, the Agency banking is efficient in terms of transaction cost and time saving and most of the respondents were impressed by their performance, the Agency banking like any other bank offered banking products which include; Cash withdrawal, cash deposit, bill settlement, and balance enquiry. The recommendations of the study are; Banks should do more advertising to sensitize the public on the availability and the services of Agency banking, Agency banking should increase the products they offer to their customers to include the credit facilities, and that the Agency banking should have more money so that those who wants to withdraw more would not be forced to go to physical banks.

Index Terms- Agent ,Agency ,Agency banking, Banking , principal

I. Background of Study

According to a banker (2011) 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. Agency banking has become an essential practice of financial institution in bringing their services closer to the people at the grass-root. Agency banking provide the opportunity for customers to access financial products and services at a location nearest to the customer, this breaking down certain barriers to financial inclusion such as cost and accessibility.

Agent Banking in Latin America

According to Alliance for financial inclusion (2012) they did a study that compared the experiences of four Latin American countries that have implemented agent banking, namely Brazil, Colombia, Peru and Mexico. The study focused on Mexico as the most recent case. The study examined the differences in the agent banking model and the possible impact these differences had on access and usage of financial services. The examples of Brazil, Colombia and Peru demonstrated that agent banking has a significant potential to increase access to financial services to remote areas. Mexico has had a successful first year in implementing agent banking, when compared to its neighbors. The successes recorded in Brazil , Mexico, and Peru is worth a note. Brazil alone has more than 140,000 banking agents, making it the largest deployment of third party banking correspondents in the world.

Agent Banking in Nigeria

Nigeria is actively promoting access to financial services to millions of unbanked and under banked throughout the nation. The regulator in Nigeria is developing policies and regulations that are creating access for more people through Micro finance banking, cash lite programs, mobile payment while reducing cost of entry for the unbanked population to gain access in a country of 70 M adult population under a total of addressable market of

140 M. There is no doubt that agency banking is adopted in Nigeria banking systems (see European Journal 2013) and has proved to have essential role in increasing accessibility to banking services.

Agency Banking in Kenya

In Kenya large number of the population is excluded from access to financial services in the financial sector with the situation being worse in rural areas. Most of the individuals in Kenya especially those living in rural or remote areas where infrastructural development is a problem, access to banking services has been a very disturbing problem. In the old times people used to travel for long distance so as to access financial services from banks and this was consuming most of their time and more spending on transport cost. According to Prof Njuguna Ndung'u, Governor of the CBK (2013) the aim of agent banking was to increase the level of formal financial inclusion in un-served and underserved areas. With the introduction of agency banking services in Kenya financial system, convenient and affordable banking services continue to be availed to the large masses without the mortar and brick branches. According to Gideon Kiarie (2012) since February 2011 the CBK allows banks to offer services through third party agents. CBK in 2011 released regulations allowing banks to offer services through third party agents approved by CBK. These agents may be Tel-com outlets, retail chain, supermarkets, and petrol stations among others. According to Ken Kigunda the use of the agency banking model by banks in Kenya has continued to improve access to banking services and has also increased financial deepening in the country since it was launched in 2010. Kigunda say that due to agency banking the financial sector has recorded an increase in growth with most Kenyans accessing finances at their convenience. Kigagah and Caroline (2012) have researched on challenges and factors influencing agency banking in Kitui central district but none of them have investigated the factors facilitating access to banking services through agency banking. The study aim to fill this gap by discussing how agency banking have helped in reducing the cost of banking transactions, how agency banking is efficient in time saving for the transaction, what banking products are offered through agency banking and how agency banking has increased the serving hours for the customers. The reduction of long queues especially in Equity bank though not at a high rate has made the researcher want to investigate how agency banking is expanding access to financial services.

Profile of Equity Bank

Equity bank started its operations in 1984 as Equity building society. The initial focus was to offer mortgage services but in the early 1990's EBS changed its focus to micro finance services. EBS grew to become a leading micro finance institution providing a wide range of products and services. The growth in business volume and outreach necessitated the conversion to a commercial bank. On 31st December 2004 Equity building society was converted to Equity bank limited. Equity Bank Ltd is a Kenyan-based bank engaged in the provision of retail banking, microfinance, and related services to individuals, and small and medium sized enterprises in Kenya, Uganda, Southern Sudan, and Rwanda. It offers various banking products, Including current, equity ordinary, super junior investment, jijenge, equity business and current accounts, and fixed deposit accounts. The bank also offer various types of loans and provides other various services comprising banker's checks, standing order and remittance processing among others .In addition it offers trade finance services, such as letters of credit ,documentary collections, guarantees and invoice discounting among others.

1.2 Statement of the problem

There before people moved from their rural areas to urban areas to search for the banking service at the towns. This made customers to spend most of their time of the day and more transport cost trying to access financial services. Globalization of banking is taking place at a very high rate more and more services are developed to make it even more attractive. This movement of banking service close to the customers has made banks to increase their market scope. In Kitui central district most of the banks are only located in Kitui town and this causes a problem for the people in rural areas or remote areas of kitui central district in accessing the financial services. Agency banking is then seen to bring the services closer to the customers and now days people in remote areas do not need to travel to towns to get the financial services .Before the introduction of agency banking, there were always long queues in the banking hall of Equity bank kitui for individuals waiting to receive financial services but now days the queues have reduced though at a low rate. According to Kenya Bankers Association CEO - ,Mr. HabilOlaka (2013) "Days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transaction. They now days do this at their convenience by using Agents outlets''. Therefore the study is to investigate the factors facilitating access to banking services through agency banking in Kenya.

1.3 Objectives of the study

1.3.1 General objectives

To investigate the importance of agency banking in provision of banking services in Kenya.

1.3.2 Specific objectives of the study

1. To determine the cost of banking transactions through Agency banking.
2. To determine the efficiency of agency banking in time saving when serving customers.
3. To determine if availability of bank agents has increased opening hours to increase accessibility for banking services.
4. To determine the convenience of getting banking products offered through agency banking.

1.3.3 Research questions

1. How much cost do one incur to make transactions through agency banking?
2. How has agency banking increased efficiency in time saving for making bank transactions?
3. How has agency banking increased the availability of their services through long opening hours?
4. How convenient are the banking products offered through agency banking?

1.4 Significance of the study

The study is hoped to help to establish knowledge on agency banking in the area of Kitui central district. This knowledge is important to the banking agents providing banking service in Kitui and also it is important to the banks in Kitui County as they will know the importance of Agency banking in providing banking services to their customers. The information is also important to the customers who use agency banking in getting banking services.

1.5 Scope of the study

The research covered Kitui central district. Three locations from the district was considered in the research and this may include Kalundu , Township and Miambani locations. The study population of the research involved all the agents of Equity bank in Kitui central district and all the A/Cs holders from the same bank branch. One agent from kalundu and one from Miambani was picked and four agents from township location was picked randomly making a target sample of six respondents, also one hundred (100) A/Cs holders from Equity bank Kitui branch were selected to make up the target population, where they were selected through random sampling from all the A/Cs holders from the same bank.

1.6 Limitations of the study

There was a problem during the data collection as some respondents were not willing to fill the questionnaire as they felt that giving the financial information about their banking through agency is very sensitive as banking involves money which is very sensitive.

There was a problem in terms of getting secondary data because agency banking is a new phenomenon in Kitui central district and not all banks have adopted it and then little information was available.

1.7 Assumptions of the study

The study was guided by the following assumptions:-

i. The randomly selected sample of equity bank agents from Kitui central district was operational.
ii. The use of the agency banking model in Kitui central district has continued to expand its importance in providing banking services especially where there are no physical bank branches.
iii. The use of agency banking has decongested the banking hall of Equity bank Kitui branch though at a slow rate.

II. LITERATURE REVIEW

2.1 INTRODUCTION

This chapter gives an overview of the importance of agency banking in providing banking services to the customers. This literature review has been obtained from the newspapers, journals, CBK annual reports (2011 and 2012) textbooks, magazines and from the writings of other academicians.

Agency banking regulations passed in February 2011 enable banks to offer services through third –party agents approved by the CBK. Agents can be telecoms outlets, small and medium enterprises, retail chain, and even small shops among others. They must be a profit- making entity that has been in business for at least 18 months and can afford funds for a float account. The services that agents can offer include cash deposits, cash withdrawals, payment of bills, transfers (including benefits and salary payment) among others.

According to the bank supervision annual report 2011, adoption of agency banking has enhanced access to banking services. Developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development blueprint, vision 2030. In the year 2011, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been a catalyst to fulfilling the goals of building an all-inclusive and efficient financial system. Despite 2011 being a year of accelerated inflation arising from high food and fuel costs the total population with access to financial services, which is key indicator of financial sector growth and development, increased. This was attributed to the cost-effective and efficient innovations within the banking sector, particularly through the mobile money revolution and the adoption of branchless banking models like the agency banking model.

Increasing access to finance has been increased with the use of innovation such as agent banking, which allows commercial banks to engage the services of third party outlets to deliver specified financial services on their behalf. Following the roll out of the agent banking model in May 2010, commercial banks have been able to contract varied retail entities. These entities, such as supermarkets, petrol stations, post offices, security companies, courier services among other act as third party agents to provide cash-in-cash out transactions and other services in compliance with the laid down guidelines. As at December 2011, there were 8 commercial banks that had contracted 9748 active agents facilitating over 8m transactions valued at ksh.43.6B.This represented 3 percent of the total deposit base in the banking industry. Tremendous growth has been evidenced in agency banking conducted by commercial banks; as at December 2012, there were 10 commercial banks that had contracted 16,333 active agents facilitating over 38M transactions valued at ksh.195.8B. The financial sector has recorded a tremendous growth with most Kenyans accessing finances at their convenience. This has reduced the cost of transactions and the time especially for the Kenyans in remote areas. The number of banking transactions undertaken through agents increased from 9.7M registered in the quarter ending March 2013 to 10.2 M transactions registered in the quarter ending June 2013. Similarly the value of banking transactions undertaken through agents increased from ksh.53.3B to ksh.60.4B over the same period. The increased number and value of transactions demonstrate the increased role of agent banking in promoting financial initiatives being championed by the central bank of Kenya. The increase is due to the fact that banks and financial related institutions in Kenya are increasingly deploying the use of payments using agencies to enhance the quality of their financial service and increase growth. The pace of transformation in the financial sector speeded up with more agency banking businesses realizing the potential of using the agencies in transacting payments in their service delivery. According to the bank supervision report 2012 the bank with highest number of customers is equity bank which has 5.3M customers and 2,851 agents followed by cooperative bank with1.9M customers and 561 agents. This indicates that agent banking has an effect on financial deepening as the higher the number of agents, the higher the number of customers'. Agency banking is fast growing as banks spread financial services across Kenya. According to the supervision annual report by CBK 2012, in the year 2012 cash deposits through commercial bank agents stood at 13M transactions valued at 1.2B. On the other hand, cash withdrawals were valued at $591M. The agents also made transactions of payment of retirement social benefits worth $1.3M and bill payments worth $2.8M.the partnership of banks with third parties has seen banks in Kenya take financial services closer to the people; in particular to areas that lack banks .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. This means other than availing financial access to customers' agency banking also creates employment. The agency does not have to perform all the activities. These include but are not limited to:-

Cash deposits, cash withdrawals, bill payment, repayment of loan, salary payment, funds transfer, balance enquiry among others. Agency banking provide the opportunity for customers to access financial products and services at a location nearest to the customer, this breaking down certain barriers to financial inclusion such as cost and accessibility. According to micro saving Equity bank (2013) by the end of March 2013, over 2.3 million customers had registered for agency banking. Around 80,000 transactions were made each day at 6892 Agent outlets.

2.2THEORITICAL REVIEW

Agency theory

The first scholars to propose, explicitly, that a theory of agency, be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency, though the basic concepts underlying these approaches are similar. Indeed, the approaches can be seen as complementary in their uses of similar concepts under different assumptions; in short, Ross introduced the study of agency in terms of problems of compensation contracting; agency was seen in essence, as an incentives problem. Mitnick introduced the now common insight that institutions form around agency, and evolve a deal with agency, in response to the essential imperfection of agency relationships. Behavior never occurs as it is preferred by the principal because it does not pay to make it perfect.

Ross lays out the problem with great clarity as well as brevity in a paper he delivered at the December 1972 economics meeting. Ross clearly identifies the agency problem as generic in society, not merely as a problem in the theory of the firm. This sets his work apart from the existing stream on the theory of the firm(e.g Baumol 1959 ,Marris 1964, Williamson 1964, Alchian and Demset 1972) as well as the more general formal approaches on decision making under risk or uncertainty and under different information states(e.g Arrow 1963, Spence and Zeckhauser 1971, Marshak and Radner 1973)

Agency is a theory explaining the relationship between principals, such as a shareholders and agents such as a company's executives. In this relationship the principal delegates or hires an agent to perform work. The theory attempts to deal with two specific problems; first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk.

Agency theory explains how to best organize relationship in which one party determines the work while another party does the work .In this relationship, the principal hires an agent to do the work, or to perform a task the principal is unable or unwilling to do due to some factors. For example, in corporations, the principal are the shareholders of a company, delegating to the agent i.e the management of the company, to perform tasks on their behalf. Agency theory assumes both the principal and the agent are motivated by self- interest; this assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self- interest, agents are likely to pursue self- interested objectives that deviate and even conflict with the goals of the principal: yet, agents are supposed to act in the sole interest of their principals.

To determine when an agent does and does not) act in their principal's interest, the standard of "agency loss" has become commonly used. Agency loss is the difference between the best possible outcome for the principal and the consequences of the acts of the agent for instance, when an agent acts consistently with the principal's interests the more agency loss increases. When an agent acts entirely in her own self –interest, against the interest of the principal, the agency loss becomes high. Agency loss is minimized when principal and agent share common interests and they desire the same outcome .Agency loss is also minimized if the principal is knowledgeable about the consequences of the agents' activities in other words; the principal knows whether their agent's actions serve in the principal's best interest .One objection to agency theory is that it relies on an assumption of self- interested agents who seek to:-
Maximize personal economic wealth (Bruce *et al*., 2005).The challenges is therefore to get agents to either set aside their self-interest, or work in a way in which they may maximize their personal wealth while still maximizing the wealth of the principal. Thus, a standard of agency duty and action is necessary, not because agents are universally selfish, but because the potential for differences between the principal's and the agent's interests exists. In agency relationships the agent has a moral responsibility for her actions which she cannot dismiss simply because she acts as an agent for another.

Agency theory and entry barriers in banking

Agency theory analyses the relationships between a business firm's owners and its managers who, under law are agents for the owners. The key issues in agency theory Centre upon whether adequate market mechanism exist that compel managers to act in ways that maximize the utility of a firm's owners where ownership and control are separated. Agency problems emerge because contracts between principals and their agents are neither costless written nor costless enforced. Managers as agents of a firm's shareholders may not devote their best efforts toward managing the firm unless those efforts are consonant with maximizing their own welfare.

In the commercial banking industry, ownership is becoming increasingly diversified among individual and institutional

shareholders and the dominance of individual stockholders in the industry appears, on the whole, to be decreasing (as noted by the Federal Reserve board) these trends may exacerbate "agency problems" in the banking industry if these problems truly exist. Under the terms of agency theory a principal (P) passes on authority to an agent (A) to conduct transactions and make decisions on behalf of the principal (P) in an effort to maximize p's utility preferences. Agency problems can arise if P and A have different goals or P and A have disparate skills in evaluating A's performance or P and A possess different sets of information relevant to the managerial decisions agent must make as a representative of principal or P and A have different degrees of risk aversion. Agency costs arise when information disparities exist that cannot be costlessly corrected or where preferences of principals and agents cannot be matched at zero cost, giving rise to moral- hazard or adverse- selection problem.
A problem that often exists when one person is acting on behalf of another that is created by the reality that the goals of the agent can differ from those of the principal to verify what the agent is doing.

Diffusion of innovations theory

The original diffusion research was done as early as 1903 by the French sociologist Gabriel Tarde who plotted the original S-shaped diffusion curve. Tarde 1903 S- shaped curve is of current importance because, Most innovations have an S-shaped rate of adoption (Rogers , 1995).Diffusion research centers on the conditions which increase or decrease the likelihood that a new idea, product, or practice will be adopted by members of a given culture .Diffusion of innovation theory predicts that media as well as interpersonal contacts provide information and influence opinion and judgments. Very little innovators adopt innovation in the beginning. Later Diffusion of innovation theory was developed by E.M. Rogers in (1962) and it originated in communication to explain how overtime an idea or product gains momentum and spreads through a specific population or social system. Researchers have found out that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established categories of adopters, and majority of the general population tends to fall in the middle categories .The five categories include:-

Innovators- These are people who want to be the first to try the innovation. They are venturesome and interested in new ideas. These people are risk takers.

Early adopters- These are people who represent opinion leaders .They enjoy leadership roles and embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. They do not need to be convinced so as to change.

Early majority- They are rarely leaders, but do adopt new ideas before an average person. They just need to see evidence that innovation works before they adopt it.

Late majority- These people are skeptical of change and will only adopt innovation after it has been tried by the majority. They need to be told how many other people have tried the innovation and have adopted it successfully.

Laggards- These are people bound by tradition and very conservative. They are very skeptical of change and are the hardest group to bring on board.

Relevance of the theories

Relating the diffusion theory to agency banking, the agency banking is clearly an innovation that requires time to reach critical mass. With regard to communication channels, banks have done well to popularize the agency banking with service names that resonate well the target population. Such names include; Equity ndio hii, Kcb mtaani, co-op kwa Jirani ,Family papo hapo and so on. Such names intended to create a sense of ownership and create confidence among the banks customers for a service that has been devolved to their neighborhood or brought closer to their doorsteps.

Agency theory relates well with agency banking as most of the banks have sought the services of third parties in offering the banking services to their customers. These bank Agents are paid some commission by the banks which they work for. The nearest branch of the bank provides necessary logistic support to their respective Agents.

III. EMPIRICAL EVIDENCE

According to Sandec Wycliffe (2012) in the past, poor people living in Nairobi slums experienced problems when attempting to gain access to financial services. This was because banks were not near their localities and they were forced to travel significant distances in search of a bank .What this meant, for someone living in an out-of-the- way informal settlement, was that they would have to cut out a large part of their day to travel and then stand in queues. Transportation costs also had to be taken into account; more often than not, the whole endeavor would prove extremely time-consuming and costly.

Since 2010, however, there have been significant improvement in the banking sector with the introduction of agent banking, an innovative delivery channel that seeks to bring access to financial services much closer to poor people.

According to Sande Wycliffe (2012) James Mwangi, the owner of a Kibera Equity bank agent outlet he said that the system has been a big boost to the community, especially for whom mobility out of the slum can prove challenging. Margret, a beauty salon owner, explains how the agent banking model has worked in her favor. According to Margret before this initiative came, she used to have a lot of trouble with her customers [getting calls all the time] asking where she was. Margret said that it always took her hours to make a transaction at the bank, and this only meant losing out customers who had come to have their hair done. Margret was also using more money on transport to access a bank branch.

According to Kenya Bankers Association CEO, Mr. HabilOlaka (2013) Days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now days do this at their convenience by using Agents outlets. Agency banking has enabled bank customers to access the banking services within the comfort of their neighbor-hood. Agency banking can dramatically reduce the cost of delivering financial services to unreached people. Agency banking can address the two main problems of access to finance; the cost of roll-out (physical presence) and the cost of handling the low value transactions. This is achieved by leveraging networks of existing third party agency for cash transactions and account opening and by conducting all transactions on line. This sharp cost reduction creates the opportunity to significantly increase the share of the population with access to formal finance and, in particular, in rural areas where many people in developing countries live (Lyman, *et,al*,2008).

According to Ivantury and Timothy (2006).Agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), long opening hours, shorter lines than in branches ,more accessible to the poor who might feel intimidated in branches compared to agency. Agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch.

The heavy cost of serving low value accounts and providing physical banking infrastructure to unbanked areas was a major impediment to financial inclusion in the past. This model was heavy on the pockets of poor customers, who had to spend time and money to travel long distance to the nearest branch. Agency banking rationalized banks operational expenditure, and reduced the cost to customers, while enabling wider reach. This research creates more awareness of agency banking to various bank customers so that the customers can make use of the bank agents near them to get financial services other than traveling to visit physical bank branches to get these financial services.

2.3 Conceptual framework

The study of importance of agency banking in providing financial services through the use of agency banking ; requires investigating the availability of banking agents ,the cost of transactions ,the opening hours and the kind of financial services offered through agency banking model.

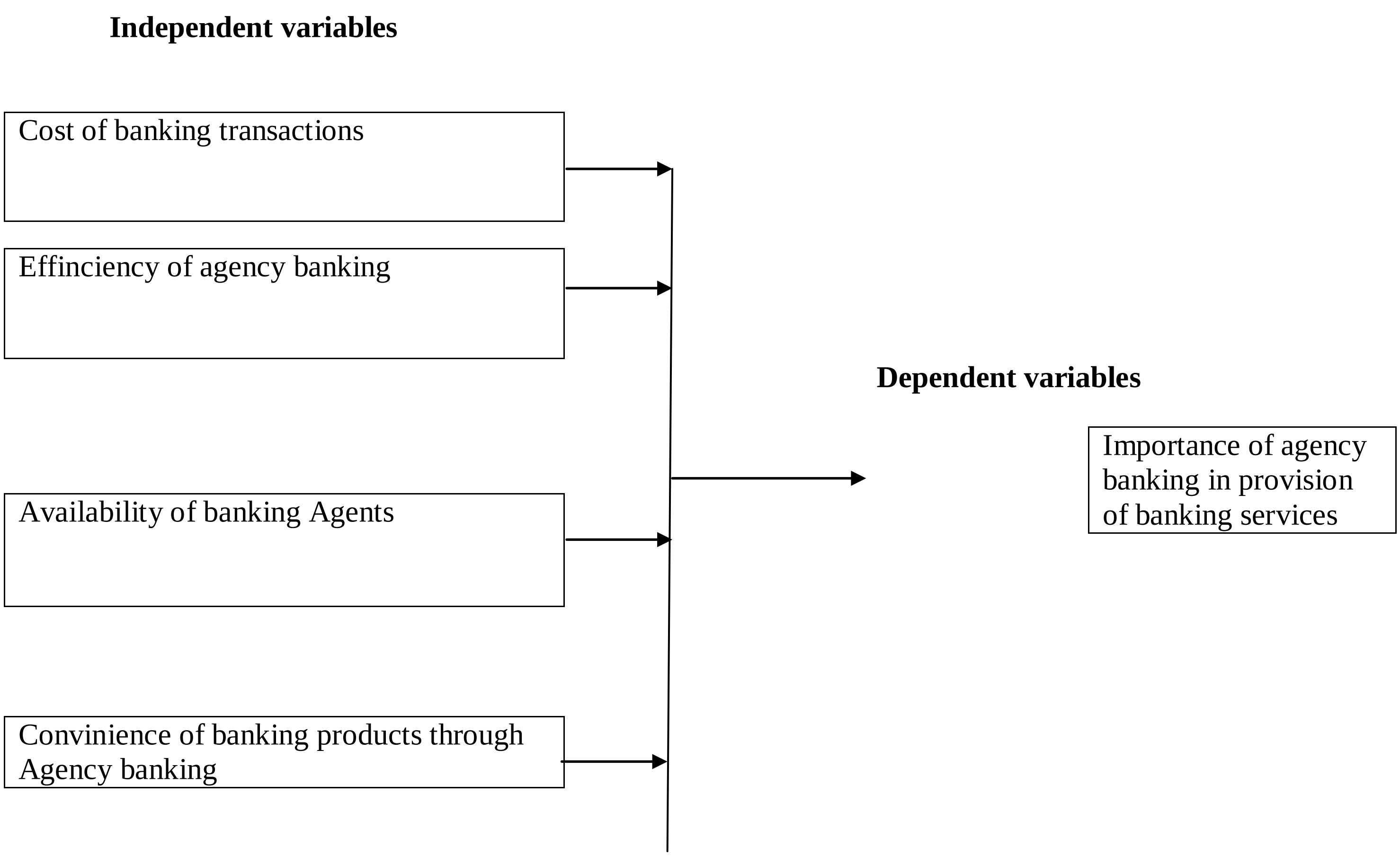

Figure 1: Conceptual frame work

The indicator for the dependent variables includes the following;

Customer deposits

According to a survey on agency banking carried out by Kenya bankers association (2013) for its centre of research on financial markets and policy,40.9% of agents operations are cash deposits. The survey revealed that customers are asking for additional services not on offer; including ATM card issuing, recommendations for loan among others.

Cost effective model

According to Fin Access National Survey (2013) the heavy cost of servicing low value accounts and providing physical banking infrastructure to unbanked areas was a major impediment to financial inclusion in the past worse; this model was heavy on the pockets of poor customers, who had to spend time and money to travel long distance to the nearest branch. Agency banking rationalized banks operational expenditure, and reduced the cost to

Payment of bills

According to CBK report (2011 and 2012) the other service that customers may use through agency banking areas is the payment of bills. According to ken kigunda (2013) Agency banking has helped to bring some banking services to rural areas where many people remain unbanked.

Distribution strategy

According to Fin Access National Survey (2013) Agency banking enables the banks to extend their services and reach not only into areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch. This makes it easy and convenient for bank customers to get the banking services at their closest areas.

4.3 Cost of transactions through Agency banking

The researcher sought to establish the cost of transactions through Agency banking. The respondents were then requested to indicate whether they agreed with the statement that the banking agency was worthwhile in availing banking services closer to the customers. The responses were presented in Table 4.5

Table 4.5: Transaction through agency avails services closer to customers

Category	Responses	Percentage
Strongly Agree	86	86%
Agree	14	14%
Total	**100**	**100%**

Majority of the respondents (86%) strongly agreed that the banking agency was worthwhile. This means that Agency banking was much important in providing and availing banking services closer to the customers. This reduced time wasting since the customers do not have to travel long distances as the agencies are close to their residences.

The research also used the Bar graph to represent opinion of respondents on whether agencies avails services closer top people.

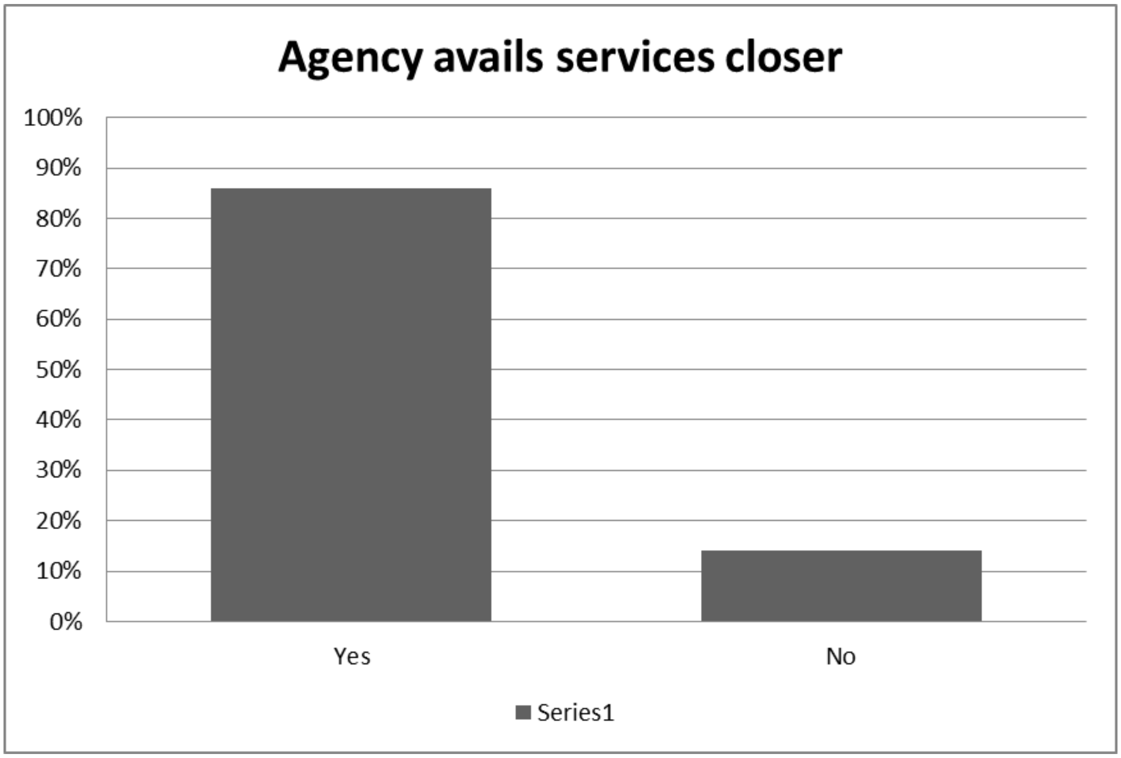

Figure 6: Transaction through agency avails services closer to customers

Further the researcher calculated the correlation coefficient between the transaction cost and agency banking. This was to establish the strength of the relationship between transaction cost and agency banking and to determine if there was effect of reducing banking cost on getting of Agency banking. The results were presented in Table 4.6.

Table 4.6 Relationship between transaction cost and Agency banking

		Transaction cost	Agency banking
Transaction cost	Pearson Correlation	1	-0.8
	Sig. (2-tailed)		0.04
	N	100	100
Agency Banking	Pearson Correlation	-0.8	1
	Sig. (2-tailed)	0.004	
	N	100	100

Table 4.6 revealed that there is a strong negative correlation between transaction cost and Agency banking ($r = -0.80$, $p = 0.04$). This implies that the more the banking Agencies the less the transaction cost.

This agrees with Ivantury and Timothy (2006) in the literature review who argued that Agency banking could be of benefit to the clients in the following ways; lower transaction costs (closer to their homes), long opening hours, shorter lines than in branches, more accessible to the poor who might feel intimidated in branches compared to agency. This is because the Agency banking enables the bank to extend their services not only in areas with poor branch penetration but also up to the doorstep of those who are reluctant or otherwise unable, to make a trip to the nearest branch.

They further argued that, the heavy cost of serving low value accounts and providing physical banking infrastructure to unbanked areas was a major impediment to financial inclusion in the past. This model was heavy on the pockets of poor customers, who had to spend time and money to travel long distance to the nearest branch. Agency banking rationalized banks operational expenditure, and reduced the cost to customers, while enabling wider reach.

4.4The efficiency of agency banking in time saving

The second objective for this study was to determine the efficiency of agency banking in time saving. The respondents were required to indicate the efficiency of banking industry. The responses were presented in Table 4.7.

Table 4.7: Efficiency of Banking Industry

Efficiency	Responses	Percentage
Very good	15	15%
Good	80	80%
Fair	5	5%
Total	**100**	**100%**

Table 4.7 indicated that majority of the respondents (80%) indicated the banking industry as good followed by 15% who indicated it as very good. The researcher further used a line graph to present the data above to make it clearer.

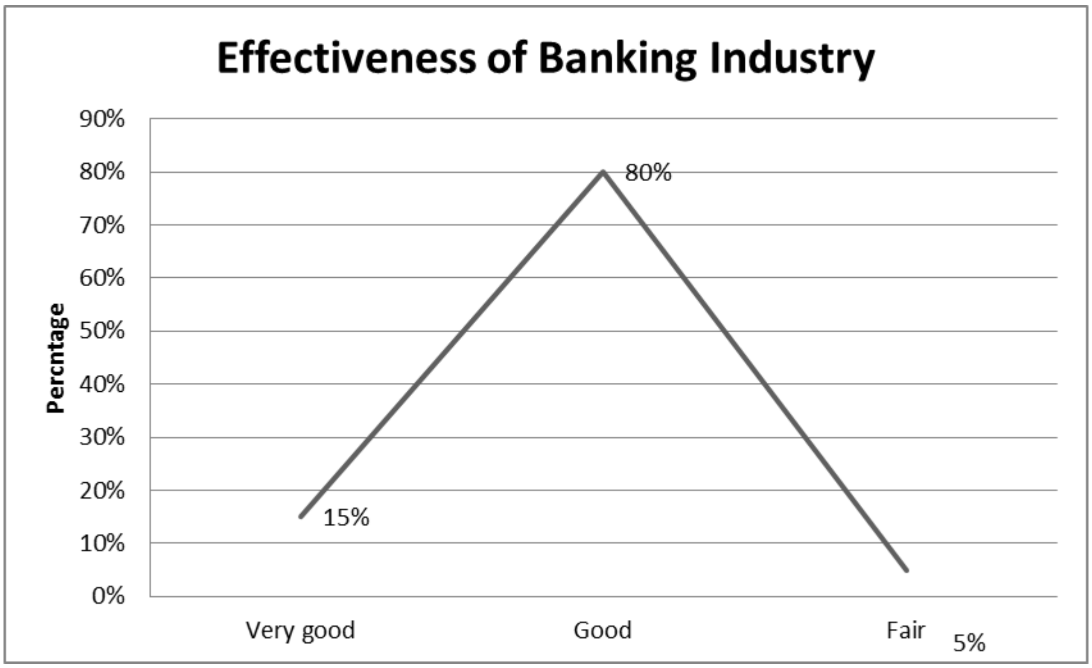

Figure 7: Efficiency of Banking Industry

The researcher further investigated whether Agency banking was time saving. The responses were presented in Table 4.8.

Table 4.8: Time saving and Agency banking

Category	Responses	Percentage
Strongly Agree	96	96%

Disagree	4	4%
Total	**100**	**100%**

Table 4.8 shows that 96% percentage of the respondents strongly agreed that the Agency banking was saving on time during transactions since there are no long queues which tend to take too long to serve the customers.

This agrees with Habilolaka (2013) who argued that days are long gone when customers would queue in the banking halls waiting to pay their utility bills, school fees or any other financial transactions. They now do this at their convenience by using Agents outlets. Agency banking has enabled bank customer to access the banking services within the comfort of their neighborhood. Agency banking can dramatically reduce the cost of delivering financial services to unreached people. Agency banking can address the two main problems of access to finances; the cost of roll-out (physical presence) and the cost of handling the low value transactions. This is achieved by leveraging networks of existing third party agency for cash transactions and account opening and by conducting all transactions on line. This sharp cost reduction creates the opportunity to significantly increase the share of the population with access to formal finance and, in particular, in rural areas where many people in developing countries live (Lyman, *et,al* 2008).

4.5 Agency banking opening hours and provision of banking services.

The third objective for this study was to determine how agency banking has increased opening hours to increase provision for banking services. The respondents were required to indicate if the agents provide banking services through long opening hours. The responses were presented in Table 4.9.

Table 4.9: Agency banking long opening hours

	Responses	Percentage
Strongly Agree	91	91%
Disagree	9	9%
Total	**100**	**100%**

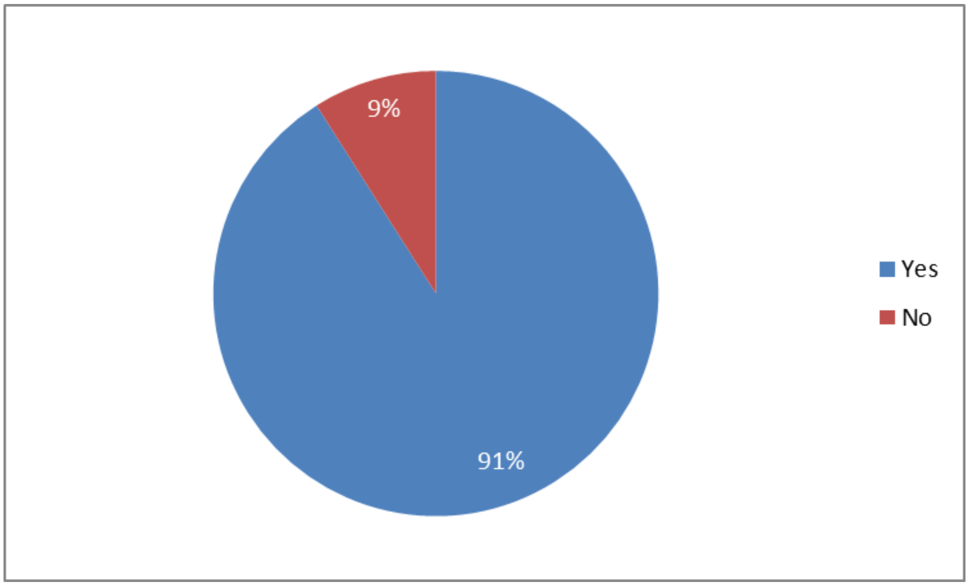

Table 8: Agency banking long opening hours

According to 91% of the respondents, they strongly agreed that; the banking agents avail banking services through long opening hours as opposed to the banks, with most of them opening from 7.00am to 6.00 pm and also opening during the public holidays. This has enabled customers to get banking facilities very early in the morning and also late in the evening and when the physical branches remain closed.

Table 4.10 Correlation between Long opening time and Agency banking

		Opening time	Agency banking
Opening time	Pearson Correlation	1	0.86
	Sig. (2-tailed)		0.03
	N	100	100
Agency Banking	Pearson Correlation	0.86	1
	Sig. (2-tailed)	0.003	
	N	100	100

Table 4.10 shows that there is a strong positive correlation between long opening time and Agency banking ($r = 0.86$, $p = 0.03$). This implies that the banking Agencies have improved the banking opening time.

According to the bank supervision annual report (2011), adoption of agency banking has enhanced provision of banking services for long hours. The financial sector reform and development blueprint, vision 2030 indicated that, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been a catalyst to fulfilling the goals of building an all-inclusive and efficient financial system. Agency banking provides the opportunity for customers to get financial products and services at a location nearest to the customer, this breaking down certain barriers to financial inclusion such as cost and accessibility. Despite the use of the agency banking for the banks to bring financial services closer to their customers it has been currently said that the long queues of people seeking services in banks especially in equity bank have reduced at low rate, hence the researcher's need to study the role of agency banking in expanding access to the financial services.

4.7 Regression Analysis

The researcher used regression analysis to test the effect of effect of a unit increase or decrease on the dependent variable.

Table 4 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant) (a)	5.898	.072		.000	1.000
	Cost of transaction(X_1)	.500	.103	.434	4.873	.000
	Time saving (X_2)	1.561	.199	.000	.000	1.000
	Opening Hours (X_3)	1.777	.187	.000	.000	1.000
	Banking products (X_4)	.500	.055	.548	9.041	.000

a. Dependent Variable: Importance of Agency banking services (Y)

Regression model: $Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4$

$$Y = 5.898 + 0.5 X_1 + 1.561 X_2 + 1.777X_3 + 0.5 X_4$$

Interpretation of the Beta's

The regression analysis above shows how a unit changes in independent variable changes the dependent variable. All the betas' (B) are positive indicating that every unit change in the independent variables will course a positive change in the dependent variable with the following quantities; Cost of transaction (0.5), time saving (1.561), opening hours (1.777) and banking products (0.5).

IV. SUMMARY, FINDING AND CONCLUSIONS

5.1 Introduction

This chapter presents the summary of the finding, conclusions from the findings, recommendations and suggestions for further research.

5.2 Summary of the findings

This study investigated the importance of agency banking in providing banking services in Kenya. The objectives of the study were; to determine the cost of transactions through Agency banking, to determine the efficiency of agency banking in time

saving, to determine how agency banking has increased opening hours to increase accessibility for banking services, and to determine the banking products offered through agency banking.
It was established that Majority of the respondents (86%) strongly agreed that the agency banking was worthwhile in providing banking services closer to the customers. This reduced time wasting since the customers do not have to travel long distances as the agencies are close to their residences. The study revealed that there is a strong negative correlation between transaction cost and Agency banking ($r = -0.80$, $p = 0.04$). This implies that the more the banking Agencies the less the transaction cost.

The study revealed that majority of the respondents (80%) strongly agreed that the Agency banking was effective in time saving. This is because Agency banking were of benefit to the clients in the following ways; lower transaction costs (closer to their homes), long opening hours, shorter lines than in branches, more accessible to the poor who might feel intimidated in branches compared to agency.

The study also established that 96% percentage of the respondents strongly agreed that the Agency banking was saving on time during transactions since there are no long queues which tend to take too long to serve the customers.

Lastly the study revealed that the banking products provided by the banking Agencies include mainly; Cash withdrawal, cash deposit, bill settlement, and balance enquiry.

5.3 Conclusions from the findings

From the findings of this study the researcher concluded that:

i. The Agency banking availed banking services closer to the customers hence saving the customers the transport cost since Agents are located near their residence.
ii. The Agency banking is efficient in terms of transaction cost and time saving and most of the respondents were impressed by their performance.
iii. The Agency banking like any other bank offered banking products which include; Cash withdrawal, cash deposit, bill settlement, and balance enquiry.

5.4 Recommendations from the findings

Based on the findings of this study the researcher wishes to make the following recommendations;

i. Equity bank should do more advertising to sensitize the public on the availability and the services of Agency banking.
ii. Agency banking should increase the products they offer to their customers to include the credit facilities.
iii. The Agency banking should have more money so that those who want to withdraw more would not be forced to go to physical bank branches.

5.5 Suggestions for further research

This study investigated the importance of Agency banking in providing banking services in Kenya-a case of Equity bank. Further research can be done on the following:-

i. Factors influencing the opening of banking Agencies in rural areas.
ii. Factors influencing the profitability of banking Agencies.
iii. Factors affecting the operations of banking Agencies.

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