Convenience of Agency Banking on Financial Service Delivery to Rural Based Customers in Rongai-Sub County, Kenya

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Abstract: *Agency banking involves banks providing financial services through nonbanks such as pharmacies, retail outlets', supermarkets, post offices. Agency banking was launched in Kenya in 2010 by the Central Bank of Kenya with intent of increasing financial access of the Kenyan populace especially those in the rural areas and low income areas. The study sought to assess the influence of agency banking convenience on financial service delivery to rural based customers' in Kenya. The study sought to understand agency banking from the rural based customers' point of view. The study used causal-comparative research design and questionnaires were administered to collect data. The study was conducted in Rongai Sub-County. Stratified sampling technique was used. A sample of 135 residents of Rongai Sub-County was used. Analysis of data entailed quantitative methods using Statistical Packages for Social Sciences (SPSS) performing descriptive statistics and Chi-square test. The findings of the study revealed that there exists a significant association $\chi^2(4) = 116.49, p = .00.$ between convenience and financial service delivery. The study concluded that agency banking has resulted to convenience in banking by rural based customers*

Keywords: Convenience, Agency banking, Financial service delivery, Rural-based customers

1. Introduction

Agency banking has been adopted by most banks in Kenya. A majority of the banks adopted branchless banking majorly with a view of increasing their market share and thus increase their performance but the Central bank of Kenya launched agency banking to increase financial access and improve convenience of customers especially the rural based customers and low income customers while accessing financial services. Agency banking has to go a notch higher to effectively compete with mobile money transfers which has been providing convenience to customers while transacting financial services such as bill payments, checking of account balances, money transfer and many more services and this has therefore led to banks increasing working days and hours to provide more service hours to clients so that they can access banking services at their convenience. Agency banking has as well been introduced to aid in increasing convenience in banking for customers especially for those based in rural areas as the agents operating hours are more since some agents open as early as 0:600 hours and close as late as 01:00 hours [3].

Even though there agent banks in the rural areas financial service delivery has not increased as expected and further not everyone in the rural areas has enjoyed convenience while accessing financial services as would be expected due to the large number of existing agent banks in the rural areas. This is because the model inherited various challenges which include insecurity due to the location of the agents since they lack the sophisticated security that is available in banking halls, technological and operational challenges such as systems collapsing, equipment breakdown, incompetent agents and insufficient float.

2. Theoretical Background

The study was guided by two theories namely Agency Theory and Technology Acceptance Model. Agency theory is a theory that explains the relationship between principals and agents in a business or firm. The principal assigns duties to the agent and the agent performs work assigned by the principal. [1]Agency banking model allows the use of agents as proposed by agency theory. Agency theory advocates for an agency relationship where the financial institutions act as the principal and the agents act on behalf of the financial institutions. Agency banking model uses technology for its operations and thus questions are bound to be asked about the user friendliness of the technology adopted by the model hence the need to employ Technology Acceptance Model in this study. Technology Acceptance model by Davis, (1986) predicts acceptability of a tool or technology and identifies the modifications which must be brought to a system in order to make it acceptable to users. The model suggests that the acceptability of an information system is determined by two main factors: perceived usefulness and perceived ease of use. Perceived usefulness is defined as the degree to which a person believes that the use of a system will improve their performance. Perceived ease of use refers to the degree to which a person believes that the use of a system will be effortless. Perceived usefulness in relation to agency banking comes into play in the sense that it was meant to ease financial transactions by enabling customers to access financial services at their convenience making banking an enjoyable experience as queuing is eliminated and this would enhance financial service delivery to rural based customers in Kenya. Perceived ease of use for agency banking is demonstrated by the fact that the electronic device is connected to the bank and the agent guides the customer in using the device.

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3. Convenience

Agency banking has helped to tap the low income customers and rural based customers by making banking more convenient to them as they can access financial services at the agents. This is less intimidating to them unlike when accessing services at banking halls where they may feel intimidated to inquire their bank balance as it is low or even be unable or uncomfortable to withdraw cash as the amount that they seek to withdraw is small. Agency has opened the rural areas greatly as the inhabitants can access the financial services which they had desired which would have taken longer to enjoy if they were to rely on banks to open up new branches of brick and mortar in the rural areas [4].

4. Methodology

The study used causal-comparative research design where convenience of agency banking on financial service delivery to rural based customers in Rongai sub-county was examined. Causal-comparative research design is used to explore relationships between variables with the main aim of determining reasons or causes for the current status of the phenomenon being studied [2]. Data was collected using self administered questionnaires. Analysis entailed both Descriptive and Inferential Statistics. Quantitative data was analyzed using Statistical Packages for Social Sciences (SPSS) where both descriptive and inferential statistics were performed. Chi-square test was used to analyze the degree of association between convenience of agency banking and financial service delivery.

5. Results

Out of the 135 questionnaires that were administered 125 were dully filled and returned. This represented a response rate of 93%. After analysis was carried out as stipulated in the methodology, the following results were obtained.

6. Convenience of Agency Banking on Financial Service delivery

The researcher first sought to establish how banking service was before agency banking was introduced and how it is since the adoption of the model. The results are indicated in Table 1 below.

Table 1: Banking status before and after introduction of Agency banking

| How was banking before emergence of agent banking? | Do you enjoy banking now after introduction of Agency banking? | | | |
| | Yes | | No | |
	N	%	N	%
Tedious	33	36	0	0
Time consuming	58	64	13	38
Easy	0	0	21	62
Total	91	100	34	100

A cross-tabulation was carried to establish the relationship between the state of banking before and after the introduction of agent banking. Results in Table 1 show that 36% of the respondents who are enjoying banking after the introduction of agency banking felt that banking was tedious affair before the introduction of agency banking. 64% felt that it was time consuming before the introduction of agency banking while none felt that banking was easy before and after the introduction of agency banking.

Table 2: Chi-square Test comparing Agency banking before and after its introduction

	Value	df	Asymp. Sig. (2-sided)
Chi-Square	71.37[a]	2	.00
Likelihood Ratio	78.71	2	.00
Linear-by-Linear Association	55.81	1	.00
N of Valid Cases	125		

Table 3: Test of Strength of Association of Agency banking service before and after

Nominal by Nominal	Value	Approx. Sig.
Phi	.77	.00
Cramer's V	.77	.00
N of Valid Cases	125	

Further analysis using Chi-square, showed that there was a statistical significant association between the two variables, $\chi^2(2) = 71.37$, p=.00. Phi and Cramer's V value of .77 indicates that this association is strong. It can be concluded that the rural-based population are now enjoying banking since it is no longer a tedious and time consuming affair.

The study as well sought to find out the cost of accessing banking services before and after the introduction of agency banking with a view of assessing whether agency banking has brought about convenience in cost of accessing banking services.

Table 4: Cost of banking service before Agent banking

| How was the cost of accessing banking service before the introduction agency banking? | Has the cost of accessing banking improved due to introduction of Agency banking? | | | |
| | Yes | | No | |
	N	Percent	N	Percent
Extremely High	20	25	0	0
Very High	21	26	0	0
Moderate	39	49	5	11
Very low	0	0	21	47
Low	0	0	19	42
Total	80	100	45	100

Table 4 shows that the a large percentage among the respondents who believe that the cost of banking has improved due to introduction of agency banking felt that the cost of accessing banking service before agency banking was introduced was either extremely highly (25%) or very high (26%) or Moderate (49%). The results also indicate that 64% (80) of the respondents agree that the cost of accessing banking services has improved due to introduction of agency banking.

Table 5: Chi-square test for Cost of Banking before and after Agency banking

	Value	df	Asymp. Sig. (2-sided)
Chi-Square	105.77[a]	4	.00
Likelihood Ratio	132.20	4	.00
Linear-by-Linear Association	77.57	1	.00
N of Valid Cases	125		

Chi-square showed that the observed variation are statistically significant $\chi^2(4) = 105.77$, p=.00 hence it can be concluded the agency banking in rural has resulted into reduced cost of accessing banking services. The study as well sought to establish whether agency banking brought about the convenience of time savings when accessing financial services.

Table 6: Time use in accessing banking service

How much time did you take to travel to access financial services before agency banking was introduced?	Has Agency banking helped you to save time as a customer?			
	Yes		No	
	N	%	N	%
4 hours	69	77	0	0
3 hours	21	23	10	29
2 hours	0	0	25	71
Total	90	100	35	100

Table 6 shows that 77% of the respondents who used 4 hours to travel to access financial service agree that introduction of agency banking have helped in saving their time, while 23% spent 3 hour to access in order to access financial service before the introduction of agency banking. 72% (90) of the 125 respondents felt that introduction of agency banking have helped in reducing banking service

Table 7: Chi-Square test for Time Savings due to Agency banking

	Value	df	Asymp. Sig. (2-sided)
Chi-Square	91.40[a]	2	.00
Likelihood Ratio	109.25	2	.00
Linear-by-Linear Association	87.29	1	.00
N of Valid Cases	125		

Chi-square test indicated that the observed variation did not occur by chance but purely due to randomness of the data, $\chi^2(2) = 91.40$, p=.00. It can therefore be concluded that rural based customers in Kenya find that introduction of agency banking is a time saver that would have otherwise been wasted in traveling looking financial service. The researcher further sought to determine the effect if any of the working hours of agent on convenience and assess the association of the working hours of agents on financial service delivery to rural based customers.

Table 8: Agent Banking Working Hours

Time of accessing agent services	Frequency	Percent
Early in the morning	25	20.0
During the day	85	68.0
Evening	15	12.0
Total	125	100.0

Table 8 shows that 20% of the respondents prefer accessing agent banking services in the morning, 68% during the day and 12% during the evening. The results also revealed that 71% of the respondents have been influenced by the working hours of the agent and have preference of using agents over banking halls.

Table 9: Preference of Agency banking over banking halls

What time do you access agent services?	Does the working hours of the agent influences your preference of Agents over banking halls?			
	Yes		No	
	N	Percent	N	Percent
Early in the morning	25	28.0	0	0.0
During the day	64	72.0	20	57.0
Late in the Night	0	0.0	15	43.0

Table 9 shows that 72% of the respondents stated that the working hours of the agent influenced their preference of using agents over the banking hall and they access their agent services during the day and none access the agent service late in the night but they still prefer agents as the queues are less in the agents than the banking hall during the day.

Table10: Chi-Square test for preference of agents over banking halls

	Value	df	Asymp. Sig. (2-sided)
Chi-Square	48.78[a]	2	.00
Likelihood Ratio	55.37	2	.00
Linear-by-Linear Association	39.68	1	.00
N of Valid Cases	124		

Table 11: Test of Strength of Association for preference of agents over banking halls

Nominal by Nominal	Value	Approx. Sig.
Phi	.63	.00
Cramer's V	.63	.00
N of Valid Cases	124	

Chi-square $\chi^2(2) = 48.78$, p=.00 with phi and Cramer's V value of .63 once more in this case shows that there is a significant and strong association between the time of accessing agent services and the working hours of agents which have influenced the respondent's preference to procure banking service from the agents rather than the banking hall.

The study sought to further establish the association between convenience and financial service delivery to rural based customers in Kenya.

Table 12: Convenience of Financial Service Delivery

Rating of Financial Delivery Service improvement with the introduction of agency banking	Does Convenience affect financial service delivery to the rural based customers?					
	Yes		No		Total	
	N	%	N	%	N	%
Strongly Agree	38	100.0	0	0.0	38	100.0
Agree	25	100.0	0	0.0	25	100.0
Moderate	20	100.0	0	0.0	20	100.0
Disagree	0	0.0	15	100.0	15	100.0
Strongly Disagree	2	7	25	93	27	100.0

Results displayed in Table 8 shows that all respondents who strongly agree, agree, moderately agree that financial service delivery has improved with introduction of the agency banking agreed that convenience affect financial delivery.

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7% of those who strongly disagree that financial delivery has improved with the introduction of agency banking also agreed that convenience affect financial delivery.

Table 13: Chi-Square Test for Convenience of Financial service delivery

	Value	*df*	*Asymp.Sig.(2-sided)*
Chi-Square	116.49[a]	4	.00
Likelihood Ratio	142.46	4	.00
Linear-by-Linear Association	88.44	1	.00
N of Valid Cases	125		

On running the chi-square procedure on the two variables, the result showed that there exists a significant association $\chi^2(4) = 116.49, p = .00$. this implies that convenience of financial delivery has a direct influence on how the rural customer would rate improvement of financial service delivery by agency banking to them.

7. Summary and Conclusion

Agency banking was meant to bring about convenience in financial service delivery. Agency banking has brought about improved financial access especially to the rural based customers and they have opted to use agency banking since it is convenient to them and thus appreciate the new innovation which seeks to bring financial services closer to the people. The findings indeed show there is a strong association between financial service delivery and convenience $\chi^2(2) = 71.37$, p=.00. Phi and Cramer's V value of .77 provided by agency banking which makes the customers use more of agents than banking hall since accessing financial services from agents is less tedious and not time consuming at. The findings as well show that there is a strong association between financial service delivery and convenience $\chi^2(4) = 105.77$, p=.00 since agency banking has helped to reduce the cost of accessing financial services.

The study established that the rural based customers found agency banking to be convenient in relation to the working hours of the agent and the time of accessing the agents. This was evidenced by the strong association $\chi^2(2) = 48.78$, p=.00 with phi and Cramer's V value of .63 between the time of accessing agent services and working hours of agents influence the customers preference to procure banking service from the agents rather than the banking hall. The study as well found that agency banking helped the rural based customers to achieve time saving and this was shown by the degree of association $\chi^2(2) = 91.40$, p=.00. between time savings enabled by agency banking and financial service delivery. The study also established that a majority of the rural based customers agreed that financial service delivery has improved as a result of introduction of agency banking and this was evidenced by the significant association $\chi^2(4) = 116.49, p = .00$. which implies that convenience of financial delivery has a direct influence on how the rural customer would rate improvement of financial service delivery as a result of agency banking to them.

From the findings of the study, the study concluded that agency banking has resulted to convenience as depicted by time saving to customers while accessing financial services, cost of accessing financial services and convenience in terms of time of accessing a given financial service.

8. Recommendation

The study recommends that agent banks need to operate at all times including late in the night. This could be made possible by banks providing adequate security measures to its agents.

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