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Influence of Selected Agency Related Factors on the Utilization of Agency Banking Services in Nakuru Town, Kenya

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Abstract
Financial institutions are responding to the fast global changes in the industry to be able to be or remain competitive. One of the innovations in the banking is agency banking which has had a positive impact on the performance of those financial institutions that have adopted this form of technological innovative banking. Agency banking is an arrangement by which licensed financial institutions engage third parties to offer delegated banking services on their behalf such as accepting deposits and withdrawals, checking account, balance among others (Getanga ,2010). The main objective of agency banking is to increase access services of financial institutions by diverting existing clients from crowded branches providing a "complementary", often more convenient channel of accessing bank services . However, there has been no study conducted to determine the uptake or utilization of agency banking in the banking industry .This study therefore examines the extent to which agency banking has been utilized by customers and the factors that influence customer uptake of this technological innovation in the banking industry. To achieve this, data were collected using a questionnaire from 106 respondents who were selected through stratified random and systematic sampling procedures. Data analysis was done through Pearson correlation and regression. The findings revealed that there was a positive and significant relationship between service quality, customer satisfaction and customer value, and customer loyalty. This study also found that service quality, customer value and satisfaction are critical success factors that influence the competitiveness of an organization. It is therefore recommended that banks should adopt the model consisting of the three constructs to create and maintain customer loyalty so as to improve performance and create competitive advantage.
Key words*: Agency banking, agency location, agency training ,, customer security, utilization of banking services*

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I. Introduction

The world banking and financial system is in the throes of a transformation caused by increasing globalization and deregulation. Technological innovations such as those available in Automated Teller Machines (ATMs), phone banking, internet banking, and smartcard applications are taking place an overwhelmingly fast pace in the global banking industry. One of the technological innovations is agency banking. According to Bold (2011) Agency banking was first developed in Brazil in 1999. Agency banking is an arrangement by which licensed financial institutions engage third parties to offer delegated banking services on their behalf such as accepting deposits and withdrawals, checking account, balance among others (Getanga (2010). An agency bank is a company/organization that acts in some capacity on behalf of another bank, thus cannot accept deposits or extend loans in its own name; it acts as agent for the parent bank. Agency banking in Kenya is governed by the Prudential Guidelines on Agent Banking (www.centralbank.go.ke). Agency banking has been practiced in a number of countries such as Brazil, Columbia, Pakistan, South Africa and Indonesia. The use of the agency banking model by banks has continued to improve access of banking services since its launch in 2010.

Banking agencies help financial institutions to divert existing clients from crowded branches providing a "complementary", often more convenient channel of accessing bank services. Kitaka (2001) asserts that, reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agencies that piggyback on existing retail infrastructure and lower set up and running cost can play a vital role in offering many low-income people their first time access to a range of financial services. Previously, customers had to travel to branches to access services like loan application, account balance and statement, pay bills and funds transfer. This is an inconvenience since customers have to queue after travelling. This cost them time and money hence extra cost to access banking services. When there is a great demand for these services like school opening times, month end and other prime times, the long queues lead to disservice to customers, who in today's Kenyan market have a choice of going to competitors reducing revenues therefore taking away the business. With every other bank seeking to compete in the lines of convenience, speed and lower cost, enhanced up to-date information provision, banks have to find a way to improve its service delivery for its customers.

The adoption of agency banking by customers is influenced by a number of factors including but not limited to: convenience of the money transfer technology , accessibility, cost, support and security influence the use of agency banking Kithuka (2012). Lyman and Stschem (2006) indicate that protecting client funds is priority for many financial regulators, as loss of funds can have serious consequences for customers, as well as for public confidence in financial systems. Banks are usually required to comply with prudential rules created to ensure systematic stability and depositor protection.

Many people in emerging economies are constrained from accessibility to banking services by several factors such as distance to the location of the facilities, transport costs and insecurity among others. However, since 2010, there have been significant improvements in the banking sector with the introduction of agency banking, an innovative delivery channel that seeks to bring access to financial services much closer to poor people. 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 queues 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.

Agency banking refers to contracting of a retail or postal outlet by a financial institution or a mobile network operator to process bank clients' transactions. It is different from a branch teller, since it is the owner or an employee of the retail outlet who conducts the transactions, ranging from: deposits, withdrawals, funds transfers, bill payments, account balance inquiry, receiving government benefits or direct deposits from employers. Banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices (CGAP, 2006).

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. The aim of agent banking was to increase the level of formal financial inclusion in unserved 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 Ndung'u, (2013).

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the CBK. The use of the agency banking model by banks has continued to improve access to banking services since its launch in 2010. The policy of agency banking intends to increase financial services outreach and to promote financial inclusion to the un-banked and under-banked population without risking the safety and soundness of the banking system; and, to also encourage institutions to use agents in the provision of banking services so as to reduce the cost of financial services and to foster financial inclusion, reach and depth CBK (2015).

Financial inclusion or banking sector outreach can be defined broadly as the process of availing an array of required financial services, at a fair price, at the right place, form and time and without any form of discrimination to all members of the society. The objective of financial inclusion should be advantaging the poor majority of who do not use formal financial services. Proponents of financial inclusion opine that financial exclusion leads to loss of opportunity to grow, a retarded country's growth and increased poverty levels. Agency banking has been necessitated by the need to provide affordable banking services to the unbanked, although the cost incurred by banks to service low value accounts and extending banking infrastructure to underserved and low-income areas is usually high. The cost incurred by unbanked customers (in terms of time

and expense) in reaching bank branches is usually high. To achieve financial inclusion therefore, will require innovative business models that dramatically reduce costs for everyone and thus pave the way to profitable extension of financial services to the world's poor
(Aduda and Kalunda ,2012).

II. Literature Review

The concept of Agency Banking

Agency banking refers to contracting of a retail or postal outlet by a financial institution or a mobile network operator to process bank clients' transactions. It is different from a branch teller, since it is the owner or an employee of the retail outlet who conducts the transactions, ranging from: deposits, withdrawals, funds transfers, bill payments, account balance inquiry, receiving government benefits or direct deposits from employers. Banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices (CGAP, 2006).

According to Bold (2011) Agency banking was first developed in Brazil in 1999. Although by 2000 only 1,600 municipalities in Brazil had bank branches, by 2010, some 170,000 agents covered all of the 5,500 municipalities, and nearly 12 million accounts had been opened at agents over three years. Brazil's experience has offered valuable lessons for countries where banks can contract an agent.

In United States (US), agency banking is a form of organization commonly used by foreign banks to enter the US market. Using an agency bank allows a foreign bank to engage in financial activity on US soil. People in the US who want to do business with the parent bank can do so through the agent, with representatives at the agency bank taking care of issues like currency exchange, transfers of funds, deposits, among others. In addition to providing access to the financial industry in the US, the agency bank also creates a method for investors in the US to access securities and other opportunities overseas with limited risk Bold (2011).

In Africa, a number of banks are championing sustainability and reengineering their operations to integrate agency banking models. However, agency banking is a new concept, with the model being highly implemented in Kenya and South Africa. In South Africa, the first agency banking was implemented in 2005. The South African regulatory framework gives wide discretion to banks to use nonbank third parties to offer banking services beyond their traditional branch network, either as agents or through outsourcing arrangements. The Banking Act (SA) allows a bank to contract agents to receive on (the bank's) behalf from its clients any deposits, money due to it or applications for loans or advances, or to make payments to such clients on its behalf. The only restriction is that a bank may not enter into an agency agreement until it has provisioned for the bank's organizational extensions, purchase of a business, losses (including any loss suffered from a sale of assets), and bad debts Bold (2011)

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 serious problem. The aim of introducing agent banking was to increase the level of formal financial inclusion in unserved and underserved areas. The introduction of agency banking in Kenya ensures convenient and affordable banking services to the large masses (Ndung'u, 2013).

Agent banking is part of financial inclusion as part of the process of availing an array of required financial services, at a fair price, at the right place, form and time and without any form of discrimination to all members of the society. Agency banking has been necessitated by the need to provide affordable banking services to the unbanked, although the cost incurred by banks to service low value accounts and extending banking infrastructure to underserved and low-income areas is usually high. The cost incurred by unbanked customers (in terms of time and expense) in reaching bank branches is usually high. To achieve financial inclusion therefore, will require innovative business models that dramatically reduce costs for everyone and thus pave the way to profitable extension of financial services to the world's poor (Aduda and Kalunda , 2012).

Agency banking represents a new distribution channel that allows financial institutions and other commercial actors to offer financial services outside traditional bank premises. A wide spectrum of agency banking models is evolving and is set to define the banking industry in this century. This is geared to deliver financial services to low income people at remote areas (State Bank of Pakistan, 2011).

Kenya has experience with both bank-based and nonbank-based agent banking models in contrast to the South American countries studied. With respect to the bank-based model, Parliament gave approval for banking legislation to be amended to enable the use of agents in June 2009, and the regulations for agent banking were published by the CBK in May 2010 (Guideline on Agent Banking -CBK/PG/15, 2010). Prior to the 2010 Guidelines on Agent Banking, the Banking Act did not address the issue of banks using agents to deliver financial services, so the CBK approved such arrangements on a case-by-case basis. Other relevant regulations which have enabled branchless banking are:- (i) a 2008 regulation allowing microfinance deposit-taking institutions to use agents; (ii) a 2009 amendment to the Banking Act that allows banks to appoint agents to take deposits and perform other activities; and (iii) a 2009 AML/CFT bill which applies to both bank and non-bank institutions (CGAP, 2010d).

Barasa (2013) found that agency banking has played a vital role in enhancing the penetration of banking services in unbanked markets and in addition enhances the access of full range of banking products within an informal setting.

III. Selected Factors Influencing The Utilization Of Agency Banking

Agency banking is beneficial to the customers in the following ways: reduction of exchange cost, longer working hours, shorter queues than in branches, support services uneducated people and the extremely poor who may feel threatened in branches (Kitaka ,2001). Mbugua (2015) indicated that the following are among the most important factors that influence the uptake or utilization of agency banking services : availability of liquidity, geographical coverage, cost and security. Each of these is discussed below:

IV. Customer Security and Agency Banking

Branchless banking is growing faster and becomes the key factor in modern technologies so it needs to be secure from each and every perspective. Whether bank security or even customer security, as technology moves onwards everyone is concerned about security related to customer's money (Musau, 2013). The security of customer transactions especially in payments or deposits (Mas & Hannah, 2008).

Protecting client funds is priority for many financial regulators as loss of funds can have serious consequences for customers as well as for public confidence in financial systems (Lyman & Staschem, 2006). Security risk has two main elements. First, perceived risk grounded in concerns with regard to the technical performance or functional reliability of the service delivery system. Second, perceived security risk may be associated with concerns about personal security and privacy (Mohamed and Kathy, 2008). Technology use is predicated on a perception, assumption that the service delivery system will perform to the satisfaction of the user in terms of functioning reliably and providing the requisite personal assurance. In purchase decision making processes, consumers mainly consider security risk associated with the acquisition of a service or product. Experience and use diminish the perceived risk associated with utilization of a new product or service, Munnukka (2005).

While bank staff maintain a higher level of training, and are directly supervised, real time IT systems with adequate controls are the key risk management device in both cases. However, agents must in addition manage their existing physical security risks to sufficient standard to protect their stock and cash just the same way banks do.

Security is one of the very important factors in determining the decision of consumers to use agency banking. Unless security is improved, more households would not be willing to conduct their transactions over the latest agency banking technologies. Security comprises of three dimensions: reliability, safety, and privacy. Security has always been an issue, but its scope has changed from mere doubts about the privacy of personal information to worries of financial loss (Polatoglu & Ekin, 2001). Banking being a confidential matter requires that clients must entirely trust the bank and those carrying out transactions on their behalf. Banking agents must be trusted so as to be able to attract many clients to transact with them. Simply, the principal institution must be trusted (Wang *et* al,. 2003).

According to (Ellinger *et al.*, 2011) the banker-customer relationship is an agency contract and the element of privacy stems from this contract. Generally, an agent is under a duty of care and privacy to his principal. The bank's duty of confidentiality implies a legal obligation to maintain the customer's information securely. The bank's duty of confidentiality covers all customers' information about themselves and their accounts obtained by the bank, irrespective of the information source and for as long as the banker-customer relationship exists.

Agency Location and Agency Banking

One of the factors which can be attributed to the low financial inclusion in rural areas is the long distance they need to travel to access financial services (Wycliffe, 2012).Uptake of agency has been influenced by the distance that customers have to travel to receive financial or banking services. Transportation costs also had to be taken into account; more often than not, the whole endeavor would prove extremely time-consuming and costly. Sometimes, the amount of money someone wants to withdraw from the bank is equivalent, or even less than the transportation cost, while others find the new ultra-modern banking halls intimidating. They thus avoid formal financial services and opt for informal financial services which are readily accessible in rural areas (Wainaina , 2011). Experience has shown that overly restrictive location requirements can complicate the business case for viable agent-based banking and ultimately work against financial inclusion goals. In addition, the real-time nature of most agent services has enabled remote supervision, thereby obviating one of the central arguments for location restrictions.

According to Kitaka (2001), banking agencies help financial institutions to divert existing customers from crowded branches providing a “complementary” often more convenient channel. Other financial institutions specially in developing markets use agents to reach an “additional” client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch.

Agent Training and Agency Banking

Agents are much more likely to adopt new technology when they are supported and trained. Training is an organized activity designed to create a change in thinking and behavior of people and to enable them do their jobs in a more efficient manner. It is also imparting technical knowledge, manipulative skills, problem solving ability and positive attitudes Salem (2007).

Understanding credit, operational and compliance risks are the major worries hindering implementation of agency banking by commercial banks. Management of agency banking business requires man power and technological resources. Banking agents are usually equipped with a combination of point of sale card reader, banking agent, barcode scanner to scan bills for bill payment transactions. Clients who transact at the agency use their banking agent to access their bank account. In view of this, the banks management should train its entire staff on the issues regarding agency banking since the agents normally work on behalf of the bank. Training allows employee participation in making job-related decisions, encouraging creativeness, providing support for employees, training is the process of imparting knowledge and skills and presents employees or beneficiaries with the skills they need to perform their jobs better (Mwangi , 2013).

Providers need a system of regular agent site visits to ensure that agents are in compliance with., Inadequate training or lack of it at all could result to poor standards of performance and service delivery to clients, this in turn results to incompetency of the agent operators; hence customers end up raising complaints and seek alternative sources of financial access. According to CBK(2010) , banks should provide agents with sufficient training to enable the agents adequately perform the operations and provide the services agreed upon, including training relating to the proper identification of customers, customer service, cash security, record keeping, financial education and confidentiality of the information. Considering that the agency banking guideline provides a section for agent operators to be trained on agency banking, it is therefore important for this research to find out if the agent operators get trained as directed by the guidelines and if the training they receive, in any way helps them to carry out their daily transactions.

The purpose of training is to improve knowledge and skills and to change attitudes. It is one of the most important motivators and is the key to improved organizational performance. It helps to reconcile the gaps between what should happen and what is happening. New skills and aptitudes are required to operate effectively top the new techniques and equipment. Workers have to be trained for new jobs and for handling the present jobs more effectively. New employees must be trained properly so that they may become efficient. Existing employees must be trained for taking up high level jobs. Training is useful not only for the organization but also for employees. Effective training enhances knowledge, skill and behaviors of the people their performance. Improved performance will lead to increased productivity, increased profits for the organization and therefore good results of investing in training (Mullins, 2002).

For agent bankers to provide satisfactory banking services, regular training must be done in order to raise their service provision standards close to those of the bank. Inadequate training results to agents displaying some level of incompetence in service delivery and in turn this discourages customers from using the model. Agents will not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents are liquid, consistently branded, and following the prescribed business processes. Providers need to decide how to divide the varied management functions and whether to keep those functions in house or outsource to an independent service provider. As the networks grow, it is increasingly difficult for provider to cover the last mile of the distribution chain, so most use third parties for part or all of the channel management functions. Providers need a system of regular agent site visits to ensure that agents are in compliance with the business processes and maintain proper branding and merchandising Lehman (2010).

Agent Capacity and Agency Banking

To understand how physical coverage translates into improved usage and how particular banking models can impact financial inclusion, it is important to consider the issue of the non-exclusivity of agents. Non-exclusivity improves outreach by allowing agents to represent more than one financial institution, in effect allowing them to serve more customers. On-exclusivity of agents is especially important in rural areas where bank branch coverage is minimal and qualified agents are also scarce. In rural areas, an agent will often be the only banking outlet available to the local population. It is critical that these agents are allowed to serve as much of the local population as possible, which would mean representing multiple financial institutions, from mainstream commercial banks to state-run development banks that cater to the needs of low-income populations (AFI , 2012).

Agent float is the cash at hand and bank balances set aside by the agent for agent banking operations. According to CGAP (2011) the top concerns among agents are low remuneration, liquidity management and network availability. The operation of the agency is such that a customer deposit at the agent means customer giving cash to the agent and is accounted by the bank by debiting the agent account at bank and crediting the customer's account at the bank. It is therefore not possible for an agent to receive a deposit unless the agent has sufficient credit in the bank. A customer withdrawal at the agent means the agent gives cash to the customer and the bank accounts by debiting the customer's bank account and crediting the agent's account at the bank. An agent then can only pay out a withdrawal if they have cash in their till at the shop. This means the agent has to have both cash in the bank and cash in till. This is a key challenge to banks as most agents are not able to balance the cash holding or have inadequate capital.

The situation of float is even worse for remote agents who have to travel to the banks to replenish their deposits when balances run low. Erratic nature of finance services daily cash limits are also to be considered as part of anti-money laundering initiative by CBK, agents cannot transact above certain limit. Hitting this limit means the agent can only close for the day unless they have applied for higher limits. In Brazil many agents complain about downtime –POS ―frozen by bank once cash limit is reached, pending deposit of cash at branch, but often with a lag until POS is unfrozen CGAP, (2010)

Agent characteristics

Alfansi (2000) established that personal characteristics of the agents are crucial when it comes to operating the bank agency. When customers are satisfied with services, they gain confidence in the agent and because of customer retention and growth, the agent is expected to grow the number of customers who are attracted to the agent and thus an increase in transaction numbers which will then translate to commissions earned (Bindra ,2007). The way agents handle customers complaints can also determine whether they will come back for services or not Ombutora (2013). Agents have to contend with customers' complaints in cases such as customer being debited with cash he did not receive because of incomplete withdrawal transactions, an urgent deposit hanging somewhere else other than the beneficiary account due to system failure, where the agent has erroneously entered the wrong account number or bill account. This could mean a stranded commuter, a son or daughter somewhere being sent home for non-remitted school fees, a punitive disconnection of utility supply (Bindra, 2007). How such complaints or errors are handled could mean retention or loss of the customer for good.

THEORETICAL FRAMEWORK

The study will be anchored on the agency theory . The theory of agency was modeled by Jenses and Meckling (1976) and addresses all exchanges involving cooperative effort and delegation of work and decision making by one party (called the principal) to another (called agent). Agency relationship is a contract (implicit or explicit) in which one or more persons, the principal(s), engage another person, the agent(s), to take actions on behalf of the principal(s) which involves the delegation of some decision–making authority to the agent. It is taken as unquestionable that an uninformed principal can benefit from this delegation to an informed agent and that it is in fact optimal for an uninformed principal to do so given their lack of skills, information, qualifications, knowledge and experience (Bendor, et al.2001).

Agency theory is based on the premise that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor effectively whether their interests are being properly served by s agents (Brigham & Gapenski ,1993),. It also assumes that principals and agents act rationally and that they will use the contracting process to maximize their wealth. The principal's roles are to supply capital, to bear risk, and to construct incentives, while the roles of the agent are to make decisions on the principal's behalf and to also bear risk. 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.

The agent assumes an obligation of loyalty to the principal that he/she will follow the principal's instructions and will neither intentionally nor negligently act improperly in the performance of the act. An agent cannot take personal advantage of the business opportunities the agency position uncovers. A principal, in turn, reposes trust and confidence in the agent. These obligations bring forth a fiduciary relationship of trust and confidence between Principal and Agent Green (2012).

The relationship between the principal and the agent is called the "agency," and the law of agency establishes guidelines for such a relationship. The formal terms of a specific principal-agent relationship are often described in a contract. A contract to be made by an agent on behalf of a principal is considered to be the contract of the principal and not that of the agent. It allows the principal to authorize somebody to carry out her duties, either for a specific purpose or generally (to conduct many transactions) . The Agent must keep the Principal informed as to all facts that materially affect the agency relationship Schuler (2002).

CONCEPTUAL FRAMEWORK

This conceptual framework shows the relationship between the independent variables and (customer security, agent training, agency location and agent capacity) and the dependent riable (utilization/uptake of agency banking services).

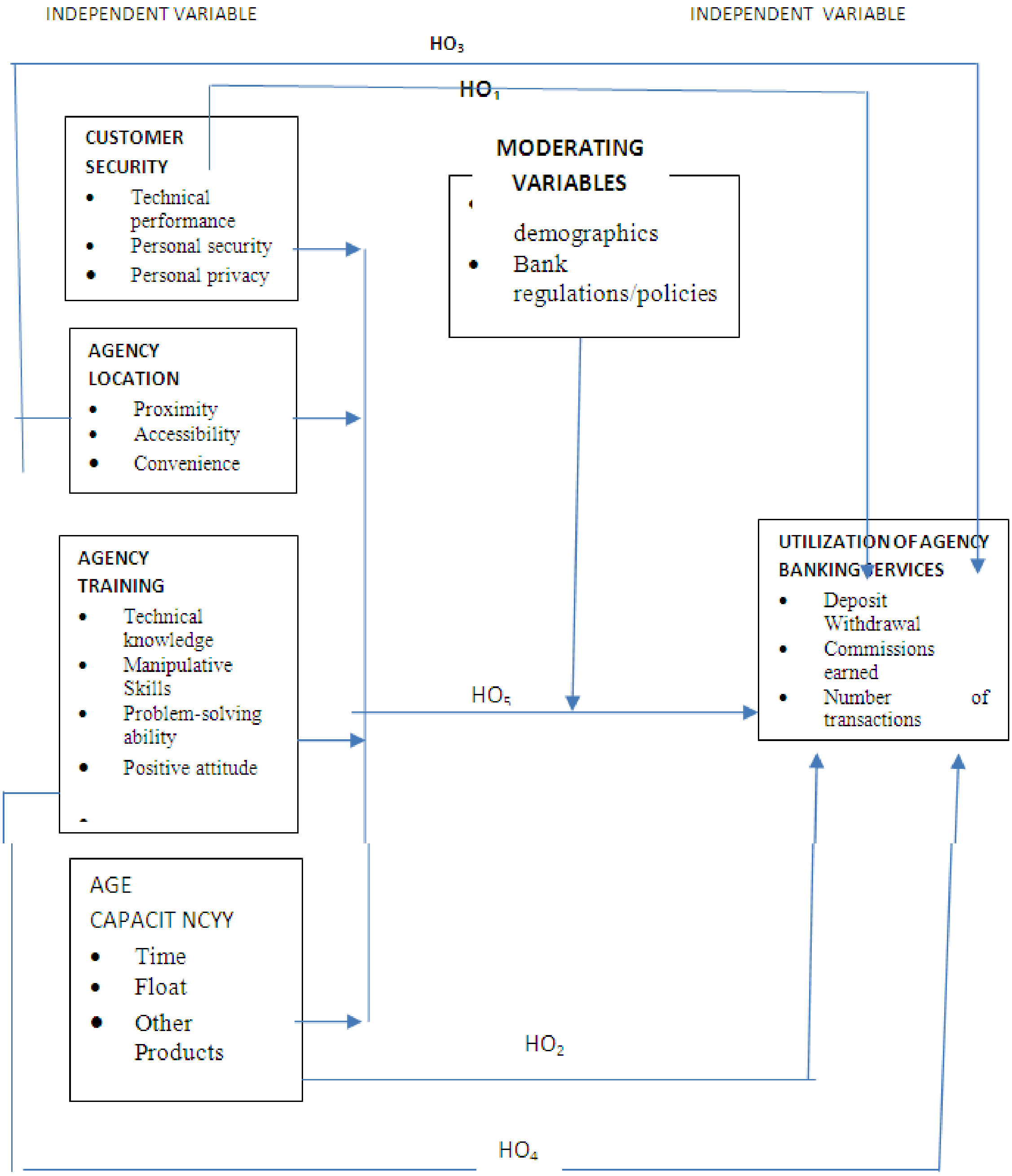

Figure1 : Own conceptualization (2020)

Relationship between some selected factors on utilization of agency banking services.

The dependent variable is utilization of agency related banking services measured in terms of customer deposits, withdrawals, commissions earned and number of transactions carried out . The relationship between the independent and dependent is moderated by customer demographic profiles and bank regulatory framework.

In the conceptual framework, independent variables and their relationship with the dependent variable (the utilization of agency banking services) is explained here below:-

Of paramount importance is customer security**.** Protecting client funds is priority for many financial regulators, as loss of funds can have serious consequences for customers, as well as for public confidence in financial systems. Banks are usually required to comply with prudential rules created to ensure systematic stability and depositor protection. Bank deposits also are covered by insurance in many jurisdictions by so doing so customers will have confidence with the bank and consequently increase utilization of agency banking.
The second factor that influences customer utilization of agency banking is agency location**.**

The main barrier to access is believed to be the lack of physical presence by formal financial institutions. There are numerous ways to measure the proximity to financial services although the more common ones measure branch and ATM penetration as well as distance, therefore, if agents are located close to customer, this will increase utilization of agency banking

Thirdly, agent capacity is crucial in influencing customer uptake of the services. Personal characteristics of the agents are crucial when it comes to operating the bank agency. Agent capacity will be operationalized in terms of time open, amount of float and other products .When customers are satisfied with services, they gain confidence in the agent and because of customer retention and growth; the agent is expected to grow the number of customers who are attached to the agent and thus an increase in transaction numbers
Fourthly, agent training will affect customers' willingness to accept to utilize agency banking services. Training shows the agents' level of incompetence in service delivery which will in turn discourage or encourage customers to utilize these services. In this regard, agents will not provide quality service to customers without ongoing, on-site supervision and in-store training to ensure the agents are liquid, consistently branded, and following the prescribed business processes

V. Statement of the problem

The expansion of the accessibility to financial services, specifically among the unbanked population has been unaffordable to maintain by the banks following the smaller number of the population, is one of the major objectives of an agency banking. While an agency banking introduction is a move that was welcomed by the CBK, its slow movement and implementation could jeopardize the entire exercise of providing a low cost affordable financial service (CBK, 2010).

The banking industry is experiencing a rush and stiff competition to secure more customers among the population. As a result, the agents have turned out to play the role of banks by pushing for bigger demands to request for lofty commissions from the banks. A National Financial Access Survey (2009) revealed that 32% of the bankable residents of Kenya is still a challenge since it still exists outside the orbit of financial services with a number of residents still getting services from the non-formal financial system.

Watiri (2013) found that the main influencers of agent banking adoption among Kenyan banks include enhanced customer service, cost reduction of the transaction costs and increased presence of the bank and especially in the remote, rural areas. Chiteli (2013) established that the control guidelines and procedures, upfront in technology and guidelines that are to be followed by the bank agents together with the banks have contributed a great deal to the success of agent banking. However, no studies have been done on influence of agency related factors on the utilization of agency banking services. Thus this study sought to determine the influence of selected factors on the utilization or uptake of agency banking services in Nakuru, Kenya .

In the last decade, there has been an explosion of different forms of remote access of financial services, including branchless banking. These have been provided through a variety of alternative channels, including mobile phones, ATMs, and Point-of-Sale (POS) devices and banking correspondents (Ibid). In many countries, these branchless channels have made an important contribution to enhancing financial inclusion by reaching people that traditional, branch-based structures would have been unable to reach. One of the main obstacles to financial inclusion is cost, both the cost to banks involved in servicing low-value accounts and extending physical infrastructure to remote rural areas, and the cost (in money and time) incurred by customers in remote areas to reach bank branches. However, very little has been done to determine factors that influence the use of agency banking. This study examined the influence of such variables as customer security, agent training, agency location and agent capacity, hence added new knowledge which would contribute to strategic planning in the banking industry for sustainable agency banking in Nakuru Town.

VI. Objectives of the study

The study specifically sought to achieve the following objectives:.

i. To determine the influence of customer security on the utilization of agency banking services
ii. To establish the influence of agent training on the utilization of agency banking services
iii. To determine the influence of agent location on the utilization of agency banking services.
iv. To investigate the influence of agency capacity on the utilization of agency banking services

v. To establish the combined influence of customer security, agent training, agent location and agency capacity on the utilization of agency banking services.

VII. Research Hypothesis

$H_0$1 There is no significant influence of customer security and utilization of agency banking Services

$H_0$2 There is no significant influence of agent training and utilization of agency banking services

$H_0$3 There is no significant influence of agent location and utilization of agency banking services

$H_0$4 There is no significant influence of agent capacity and utilization of agency banking services

$H_0$5 There is no significant combined influence of customer security, agent training, agent location and agency capacity, on the utilization of agency banking services .

MATERIALS AND METHODS

VIII. Research Design

Descriptive survey design was adopted. Descriptive survey design was considered appropriate because it involves selection of independent variables without being manipulated. Observations and analyses of relationships among the variables are carried out in their natural settings. This allows ascertaining wide spread opinions under natural conditions. The design facilitates investigation of possible relationships between variables.

Sample Size and Sampling Procedure

The banks for this study were purposively selected to capture those that are providing agency banking services in Nakuru Town . This will allow investigation of the influence of the selected factors (customer security , agent location, capacity and training on the utilization of agency banking services. Selecting a sample from across these categories of banks ensured adequate representativeness of the various characteristics. Stratified random sampling was used to obtain the sample size. The sampling technique was preferred because it ensures that customers from all the various types of banks offering agency banking were adequately sampled. The total sample size for the study was obtained using the following formula:

IX.

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where

n = Represents sample size,

N = Represents study population

C = Represents coefficient of variation (21% ≤ C ≤ 30%), and

e = Represents error margin (2% ≤ e ≤ 5%).

Calculating the sample size,

$$n = \frac{3036\,(0.21)^2}{0.21^2 + (3036-1)0.02^2}$$

n = 106

n =106 respondents

A sub-sample size was determined for each bank (Robbinson ,2010). The Sub-sample formula is : -

A/b × c = z

A – Is the population of the stratum

b – Is the total target population

c – Is the total sample size

z – Is the number of respondents obtained from each stratum

Table 1: Sample size for customers

Bank branch	Average number of customers who use Agency banking in a month	Sample size
Chase Bank (Kenyatta Avenue)	115	4
Co-operative bank (West Branch)	150	5
Co-operative Bank (East)	289	11
Diamond Trust Bank (Kenyatta Avenue)	127	5
Equity Bank (Gate House)	300	12
Equity Bank (Kenyatta Avenue)	277	11
Equity (West End)	188	7

Family Bank (Kenyatta Avenue)	155	6
Family Bank (Sokoni)	250	8
Kenya Commercial Bank (Main)	298	12
Kenya Commercial Bank (Flamingo)	210	7
Kenya Commercial Bank (Menengai)	190	6
National Bank (Main)	176	7
Sidian Bank	123	5
TOTAL	**3036**	**106**

Source: Banks Agency Department Records (2020)

Instrumentation

Data were collected using a questionnaire which was chosen because it was easy to administer in the on-the-spot- collection of information approach used in this study. The use of questionnaires facilitated confidentiality of customers' personal information because they did not have to disclose their identity when filling out the questionnaire. The instrument was operationalized using a five – point likert scale, ranging from (1= strongly disagree) to (5 = strongly agree). The scale measured the strength of the respondents' responses on these items. The questionnaire items captured all measures of the dependent and independent variable.

Validity and Reliability of the study

The study attempted to ensure that the findings were both valid and reliable. Validity is the extent to which the test-items measure what they purport to do. Validity testing involves determining the extent to which a research instrument enables collection of data pertinent to objectives of a study. In this respect, a valid instrument is said to be able to aid in collection of data as it purports Kimberlin & Winterstein, (2008). In this study, content validity of the research questionnaire was determined by experts in the Department of Business Administration of Egerton University.

Reliability is the consistence of a score from one occasion to the next. The relevance of the content used in the questionnaire in relation to the objectives of the study was assessed using a cross-bridge matrix where by the items in the questionnaire were checked against the objectives of the study to ensure adequate content coverage (Bosire, 2000). Cronbach's coefficient alpha was used to test reliability in which an acceptance level of .70 of Cronbach's alpha was the threshold for reliability test McMillan (1992). The internal reliability test results were for service quality (0.918) which was high enough to ensure the internal consistency as this was higher than the recommended 0.7 threshold (Hair et al., 2006).

Data Collection Methods

Data was collected using questionnaires that were administered at the entrance to the agent locations or business premises . This involved waiting for the respondents to fill out the questionnaires. The participants were assured that any data collected was to be kept confidential and was to be used strictly for academic purposes only.

Operationalization of the Study Variables

The five constructs identified in this research that included customer security , agent location, agent capacity , agent training and agency banking utilization were measured as indicated below: The independent variables were the dimensions of agency banking , namely, security, location , training and capacity . Customer security was the perceived overall personal and physical security of the agent location and of the transactions and was measured in terms of technical reliability; personal security and personal privacy .agency location was measured in terms proximity, accessibility and convenience while agent training was operationalized as technical knowledge, manipulative skills, problem-solving ability and positive attitude. Agency capacity was measured in terms of time of operation, the float carried by the agent and other products provided by the agent. The dependent variable was the utilization of agency banking services which were measured in terms of amounts of deposits, withdrawals, commission earned and number of transactions undertaken by an agent.

DATA ANALYSIS

The study used both descriptive and inferential analyses. Descriptive analysis involved the computation of frequency distribution, mean, and standard deviation, which were useful to identify differences among groups. Inferential analysis assisted in understanding relationships between the study variables. Multiple regression analysis was used to determine the contribution of each of the independent variables to dependent variable. Regression analysis describes the way in which a dependent variable is affected by a change in the value of one or more independent variable. This technique was preferred because it tests the relative contribution of the independent variables on customer loyalty was achieved through multiple regression. Regression helps to predict the value of a dependent variable using one or more independent variables (Kometa

(2007) and is used for the investigation of relationships between variables (Sykes (1993). The following multivariate regression model was tested :

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where:

Y = Utilization of agency banking services

β_0 = Constant Term;

$\beta_{1,}$ β_2 and $\beta_{3\,=}$ Beta coefficients;

X_1= customer security

X_2= agent training

X_3= agent location

X_4=agent capacity

ε = error factor

INFLUENCE OF SELECTED FACTORS ON THE UTILIZATION OF AGENCY BANKING SERVICES

Inferential statistics were used to evaluate the strength and direction of the relationship between the independent and dependent variables, that is , the relationship between influences of selected agency related factors on the utilization of agency banking services in Nakuru Town. Correlation analysis was used to test the relationships the selected agency factors and utilization of agency banking services.

Customer security and the utilization of agency banking services

The relationship between influence of customer security on the utilization of agency banking services in Nakuru Town. Table shows the results of correlation analysis.

TABLE 2: Correlation between customer security on the utilization of agency banking services

		Utilization of Agency Banking
Customer Security	Pearson Correlation	.605**
	Sig. (2-tailed)	.021
	N	86

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

The study determined influence of agent location on the utilization of agency banking services in According to the findings, there is a positive association between customer security on the utilization of agency banking services in Nakuru Town as shown by a correlation coefficient of 0.605 and a p-value of 0.021. The p-value is less than 0.05 and hence the association was significant.

Agent training and the utilization of agency banking services

The study determined influence of agent training on the utilization of agency banking services. The relationship between the two study variables was ascertained. Table 4.10 displays the results.

TABLE 3: Correlation between agents training on the utilization of agency banking services

		Utilization of Agency Banking Services
Agents Training	Pearson Correlation	.462**
	Sig. (2-tailed)	.001
	N	86

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

The findings indicated that there is positive significant association between influence of agent training on the utilization of agency banking services in Nakuru Town as shown by a correlation coefficient of 0.462 and a p-value of 0.001.

Agent location and the utilization of agency banking services

Nakuru Town. The relationship between the two study variables was ascertained. The outcome of the analysis is shown in Table 4.11.

Table 4: Correlation between agent locations on the utilization of agency banking services

		Utilization of Agency Banking Services
Agent Locations	Pearson Correlation	.303**

	Sig. (2-tailed)	.007
	N	86

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

The study established that there is a positive significant association between influence of agent location on the utilization of agency banking services in Nakuru Town. This is shown by a correlation coefficient of 0.303 and a p-value of 0.007.

Agency Capacity and the Utilization of Agency Banking Services

The study determined influence of agent location on the utilization of agency banking services in Nakuru Town. The relationship between the two study variables was ascertained. The outcome of the analysis is shown in Table 4.12

Table 5: Correlation between agency capacity on the utilization of agency banking services

		Utilization of Agency Banking Services
Agency Capacity	Pearson Correlation	.303**
	Sig. (2-tailed)	.007
	N	86

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

The study established that there is a positive significant association between agency capacity on the utilization of agency banking services in Nakuru Town. This is shown by a correlation coefficient of 0.303 and a p-value of 0.007.

X. HYPOTHESIS TESTING :

Ho_1: Customer security has no statistically significant influence on utilization of agency banking Services

From the findings, there is a positive significant relationship between customer security and utilization of agency banking Services in Nakuru Town as shown by a regression coefficient of 0.241. The p-value (0.008) was less than the significance level (0.05). Therefore, we reject the null hypothesis and conclude that customer security has positive significant influence on utilization of agency banking Services in Nakuru Town.

Ho_2: Agent Training has no statistically significant influence on utilization of agency banking Services

The results also indicate that there is a positive significant relationship between agent training and utilization of agency banking services in Nakuru Town as shown by a regression coefficient of 0.219. The p-value (0.036) was less than the significance level (0.05). Therefore, we reject the null hypothesis and conclude that agent training has positive significant influence on utilization of agency banking services in Nakuru Town.

Ho_3: Agent Location has no statistically significant influence on utilization of agency banking services

The results also indicate that there is a positive significant relationship between agent location and utilization of agency banking services in Nakuru Town as shown by a regression coefficient of 0.173. The p-value (0.045) was less than the significance level (0.05). We therefore reject the null hypothesis and conclude that agent location has positive significant influence utilization of agency banking services in Nakuru Town.

Ho_4:Agent Location has no statistically significant influence on utilization of agency banking services

The results also indicate that there is a positive significant relationship between agent capacity and utilization of agency banking services in Nakuru Town as shown by a regression coefficient of 0.201. The p-value (0.003) was less than the significance level (0.05). Therefore; we reject the null hypothesis and conclude that agent capacity has positive significant influence utilization of agency banking services in Nakuru Town.

Ho5: There is no significant combined influence of customer security, agent training, agent location and agency capacity, on the utilization of agency banking services .

An analysis of the combined influence of customer security, agent training, agent location and agency capacity on the utilization of agency banking services in Nakuru Town was done using multiple regression models. Using multiple regression analysis and Analysis of Variance (ANOVA), the combined influence of customer security, agent training, agent location and agency capacity on utilization of agency banking services in Nakuru Town

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.7563	0.57199	0.52761	2.56741

The R-Squared is the proportion of variance in the dependent variable which can be explained by the independent variables. The R-squared in this study was 0.572, which shows that the three independent variables (customer security, agent training, agent location and agency capacity) can explain 57.2% of utilization of agency banking services in Nakuru Town while other factors explain 42.8%.

Table 6: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.7930	2	11.8965	42.0520	0.000
	Residual	14.4290	84	0.2829		
	Total	38.2220	86			

The analysis of variance in this study was used to determine whether the model is a good fit for the data. From the findings, the p-value was 0.000 which is less than 0.05 and hence the model is good in predicting how the four independent variables (customer security, agent training, agent location and agency capacity) influence utilization of agency banking services in Nakuru Town Further, the F-calculated (42.0520) was more than the F-critical which shows that the model was fit in predicting the influence of the independent variables on the dependent variable.

Table 8: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Beta	Std. Error	Beta		
(Constant)	**2.026**	**.420**		**4.824**	**.000**
Customer Security	**.241**	**.147**	**.421**	**1.640**	**.008**
Agent Training	**.219**	**.144**	**.286**	**1.517**	**.036**
Agent Location	.173	.117	.317	1.481	.045
Agency Capacity	.201	.114	.297	1.771	.003

a. Dependent Variable: utilization of agency banking services

This table shows the overall significant test results for the hypothesized research model.
The results of the regression model are provided below..

$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4 + \mathcal{E}$

Therefore,

$\mathbf{Y= 2.026+ 0.241X_1+0.219X_2- 173X_3+ 0.201X_4}$

MANAGERIAL IMPLICATION OF STUDY

The study looked at how the different agency banking related factors influence the uptake or utilization of agency banking services in Nakuru , Kenya. The study focused on how each of the selected factors contributed to the adoption of agency banking services .The results should provide useful information for bank managers in improving the utilization of this relatively new agency banking services. The study has shown the interrelationships among selected agency banking related dimensions or factors and the utilization of agency banking services. This study confirms the positive relationship between the independent variables (customer security, agent location, and agent training and agent capacity) and the dependent variable (utilization of agency banking services).

All the independent variables are positively correlated with utilization of agency banking services. This implies that the banks undertaking agency banking have to invest in customer security measure, agent training, ensuring that agents select suitable locations and have appropriate capacity in terms of their float and hours of operation. Considering the joint effect of all the four selected factors suggests that bank managers should focus on ensuring that these factors are adequately attended to ensure quicker adoption of agency banking services.

The results of study indicate that there is great need to for the agents to adopt security features like security alarm, steel metal bars, hired security guards to improve the security in all agency outlets further to enhance security agent outlets should ensure that all the customers sign against the transaction made in addition to this the researcher recommend that there should be proper customer sensitization on the need of a privacy of pin number.

Further, the agents should be provided with proper training on customer relations skills on how to communicate to customers well in addition to this agent should be trained on how to successfully reverse wrong transactions and also have capacity to assist customers in basic ICT related challenges. Agents should have training regarding banking to be able to answer basic agency banking related questions
It is also recommended that banks should have more agent outlets as it is a key factor considered by customers when seeking agency banking services further banks will be able to reach more customers more so those far away from the banking halls .The study established that customers prefer agents outlets that are in permanent structure in convenient locations. Majority of customers who use agency banking are those far away from the banking halls and Agency banking is more popular among clients who are very far away from banks.

Finally, it can be recommended that banks should equip their agents well so as to be able to handle most of the customer complaints and easily liaise with the bank for speedy replenishment of the float . the study findings had shown that majority of agent outlets are not able to make large transactions as they usually operate with inadequate float.

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