An Investigation into Challenges Facing Bank Agents in Provision of Financial Services to Customers (A Case of Bank Agents in Nyeri Town, Kenya)

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Abstract
The study was conducted to identify the current and potential barriers to the access of basic banking services to the unbanked in Nyeri. The objectives of this study were; identify the extent in which the kind of financial services and products offered by bank agents affect access to financial services, determine the effect of financial education on access of financial services and the degree in which individual perceptions and attitudes affect access to financial services by the unbanked.The findings of the study will help in promotion of appropriate, accessible, usable, valuable and affordable basic financial services in the country. The population of interest in this study was the agents offering banking services in Nyeri. The sampling technique used is convenience sampling and due to the small size of the sample, a census of all the respondents was done. Data collection was done by the use of questionnaires.Data analysis was done using Microsoft excel and tabulation was done using tables, pie charts and graphs.
Keywords: unbanked, agent banking, financial services

1.0 Introduction

Around four billion people in the world remain without access to formal financial services and another one billion do not have a bank account. (CGAP 2010). In the sub-Saharan Africa, access to banking services remain limited and tails behind even other parts of the developing world. An alliance of data sources shows that only 20% of households in sub-Saharan Africa were banked in the beginning of the second millennium (Chaia 2009). However, recent studies obtain similar results using more recent data.(Kenda et al 2010).

Knowledge about financial lives of the poor show that low income families need a wide variety of financial services. Poor people have irregular incomes and emergencies such as sickness, school fees and funeral expenses may come during hard times. As a result, poor households are active money controllers who use many financial instruments to move money between times when they receive it and when they spend it. (Tilman,2010).However, this is counterproductive since its very expensive in the long run and has the effect of sinking people deeper into poverty.(Christian,2011).e.g. holding cash within the household presents several risks if the goal is to attain financial stability. Cash is vulnerable to theft and keeping cash within the household makes it difficult to maintain financial discipline. (Collins et al 2009)

Existing evidence on the issue indicates that expanding access to financial services have significant effects on eradication of poverty.(CGAP 2010).Studies of programs that have increased access to both credit and other banking services have recorded immense success in the financial inclusion.(Bruhn et al 2009)

A major hindrance to financial inclusion is the cost not only incurred by banks in servicing low value accounts and extending infrastructure to the underserved low income areas but also the cost incurred by the poor customers in terms of expenses in reaching the bank branches .Therefore, achieving financial inclusion requires innovative business models that significantly reduce the costs for the world’s poor while at the same time protecting consumers and preserving the integrity of the financial system.(Paul,2011).

That is why agent banking is part of an increasingly potent model in financial inclusion an increasing number of countries agent banking has been booming in the last few years and it has the ability to provide financial services to low income households who are not reached by traditional bank networks especially those living in remote and rural areas (CGAP 2010).Agents have been able to facilitate opening of bank accounts, deposits and withdrawals, payment of bills, and funds transfers.

However, despite the many researches done in this area there are a plethora of barriers to financial inclusion via agents. Most of the research conducted has advocated for increase in the number of bank agents countrywide to increase access to financial services. However, this is not the solution to the problem. Information from the ground indicates that only 38% of Kenyan adults have access to formal financial services. (CGAP 2010).

In fact, CFT (2011) found that Kenyans are experiencing under inclusion whereby only certain financial services have been embraced. In Kenya, 99% of all transactions conducted by agents involve deposits, transfers and withdrawals. This is case of poor financial inclusion. (Siedek 2010).

The major concern of this research therefore, will be to find out the challenges facing financial inclusion by evaluating the extent to which; the quality of products and services offered, consumer financial education and individual perceptions and attitudes affect financial inclusion.

The solution of the problems identified by the study will assist in formulation of policies and implementation of objectives aimed at eliminating barriers to financial inclusion thus promoting economic development through increased savings and investments.

2.0 Statement of the problem

Economic growth in any country must enlist participation from all sectors of the society. Inability to access financial services by majority of the countries populace can increase a social tension which in Africa is a threat to economic progress and has the potential to cause social exclusion. (Nirupam et al, 2009)

The CBK (2010) found that 32% of Kenya's bankable population is totally excluded from financial services hence the need to enhance efficiency and penetration of the financial sector. In line with Kenya's vision 2030 which aims at increasing bank deposits from 44% to 80% and savings and investment from 14% to 25%,the CBK unrolled the agent banking model in collaboration with a few local banks.

This banking model has been successful in increasing the number of people with bank accounts. (Dupas et al, 2009). However, Siedek (2011) found that 99% of all transactions carried out by agents include fund transfers, withdrawals and payment of bills. Savings have remained dismal (Suri 2011) and few people have shown any interest in accessing loan facilities for agricultural inputs despite the high estimated returns in Kenya (Dupas et al,2009).This is a case of poor financial inclusion.(Siedek,2011)

This suggests that, simply expanding access to banking services will not benefit the majority of the underserved, broader success will only be obtained by improving the quality of services, provision of financial education to customers on the best savings and credit products and improving costumer trust in bank agents.

Similar researches have been done in Colombia and Brazil which are pioneers of agent banking. However, no research has been conducted in Kenya on barriers to financial inclusion through bank agents. The research aimed aim at filling this information gap.

3.0 Literature review

Several theories have been postulated by different authors to explain the factors affecting for financial inclusion of the underserved and among them are; decision utility theory, the development economics theory and behavioral economics theory

3.1Decision utility theory

The impact of services on the actual wellbeing of clients is often seen as important but too difficult and costly to measure in practice. (Dolan and Kahneman 2008)Financial inclusion, from this point of view, is about enhancing poor people freedoms by offering services that are useful for controlling their lives and ways of living. Such services are what the richer people already take for granted. The theory supports the importance of increasing investment in financial education and other interventions on the demand side to enhance the capacity of poor people to make the most of opportunities being created from the supply side.

Reliance on decision utility as an indicator of experienced utility or wellbeing rests on the assumption that individuals are well enough informed about their choices to avoid making mistakes, such as being attracted into contracts that ultimately do them more harm than good. It is important to note that people do learn eventually how to make the most of new opportunities.

This approach to thinking about financial inclusion closely reflects a neoclassical view of economic behavior as a rational process of individual utility maximization, with welfare outcomes determined primarily by individual resource endowments and opportunities. This can in turned be referred to as a mental model, or a value-laden internal representation of a complex environment (North 1990).

The idea of mental models in institutional economics is linked to the concept of bounded rationality: we are all forced to rely on them when we come face to face with a complicated problem that we lack time, information or capacity to analyze comprehensively.

North(1990)suggests that mental models do not only exist in the heads of individuals but rather, they are formed in a social conditions and circumstances ; Actually shared mental models support all the institutions through which we work with. (Denzau and North 1994).However, the mental model offered by neoclassical theory is not the only one available for analyzing the determinants of financial exclusion, and its underlying ontology deviates efficiently from those underlying other disciplines. For example, anthropologists also emphasize the symbolic aspects of financial services within a particular cultural context, and sociologists have examined how borrowing is also influenced by group behavioral standards and the need to represent crucial social associations.

On the other hand, psychological empirical researches into the different mental models have brought out the root to specific factors that reduce financial inclusion (Breakwell 2007).

3.2Development economics theory

The theory assumes that Finance has become an important part of an economy. Accordingly, there is a two-way relationship between financial system development and real sector growth. Developed financial system drives real growth, while the growing economy's demand leads to advancing the financial sector. Banking institutions have a vital role in facilitating the development of financial system.

In the early eighteenth century Adam Smith (1776) had opined the view that significant and crucial contribution of high density of banks in Scotland for the stimulating development of the Scottish economy.

Similarly, in the beginning of the twentieth century, Joseph Schumpeter (1912) contends that technological innovation and their successful implementation is promoted and stimulated by well-functioning banks. More specifically Schumpeter argued that the creation of credit through the financial system is a vital source of entrepreneurs' capability to drive economic growth by identifying and implementing new combinations of factors of production.

On a similar line, Sir John Hicks (1969) argues that the inadequate development of financial system causes the time lag between an innovation and its successful implementation.

He supports this argument with the case of England's capital market development which reduced liquidity risk and gave birth to the industrial revolution.

Levine (1997) analytically tested the neo-classical view and finds that countries with larger banks and more active stock markets grow faster over subsequent decades even after controlling for many other factors underlying economic growth. Industries and firms that rely heavily on external financing grow disproportionately faster in countries with well-developed banks and securities markets than in countries with poorly developed financial systems and the relationship between the initial level of financial development and growth is large. However, this does not mean that access for financial services is the only solution to economic growth.

Equally important is access to finance by all segments of the society (Levine 1997, Pande and Burgess 2003). Finance can also play a positive role in poverty reduction. A well developed financial system accessible to all reduces information and transaction costs, influence saving rates, investment decisions, technological innovation, and long-run growth rates (Beck et al. 2009).

Evidences from Binswanger and Khandker (1995) and Pande and Burgess (2003) suggest that Indian rural branch expansion program significantly lowered rural poverty, and increased non-agricultural employment.

Eastwood and Kohli (1999) using firm level data found that the branch expansion and directed lending programs increased small scale industrial output. Hence an indirect impact of availability and accessibility of finance on poverty reduction is confirmed through these studies.

An important objective in development economics is to create ways to lift people out of poverty. Access to finance has been seen as a critical factor in enabling people to alter their production and employment activities and leave poverty (Aghion and Bolton 1997)

The main method of providing access to finance to poor strata of society that has emerged over the recent years is micro-finance, whose success is evidenced through the rich experiences of application of Yunus model of 'micro-credit' across sixty countries both rich and poor countries like Malaysia, Philippines, South Africa, India, Nepal, China, Finland, Norway and United States. The idea behind the Grameen Bank in Bangladesh is to extend credit to poor people so that they can help themselves.

Yunus (1999) says that financial is not a miracle cure that can eliminate poverty at once but it can end poverty for many and reduce its severity for others. Thus the role of financial inclusion extends beyond providing payment of bills, deposits and withdrawals and becomes an important tool for providing financial support to poor populace. The refusal of financial services and the conditions that lead to denying an individual or a group from the benefits of these services is called financial exclusion. It can be of any type like access-exclusion, condition-exclusion, price-exclusion, marketing exclusion or self-exclusion.

Also, it reflects social deprivation. Financial exclusion can be due to many social and economic factors like low household incomes, expensive source of credit, no savings and no insurance coverage (Carbo et al 2007) and lack of information to enable a person to know the purpose of the saving. (Agrawal 2008) along these lines, access to finance for new entrepreneurs is an important ingredient in the finance-growth. More recently, the focus has shifted to links between finance and income inequality. Beck and others (2008) found a link between financial development, reduced income inequality, and poverty alleviation: the aggregate usage of financial services, that is, deeper financial systems, appears to reduce Gini coefficients, a measurement of inequality. There is also evidence at the macroeconomic level that broader financial systems enhance economic growth. Giné and Townsend (2004) show that, based on a general equilibrium model of the Thai economy, the expansion of access to the financial sector has significantly raised Thailand's growth rate. Conversely, Banerjee and others (2009) emphasize the efficiency and productivity losses associated with preferential access to finance by the better off, and suggest a potential first-order effect of access on investment and growth.

Finally, Pande and Burgess (2005) find a strong positive effect on rural poverty, using a "natural experiment" of new branching regulations in India that incentivized banks to expand into underserved areas. However, the high cost of this expansion policy outweighed the aggregate benefits. This result suggests large potential benefits from technology-enabled, lower-cost branch expansion.

3.3 Behavioral economics theory

This theory stipulates that human beings are irrational most of the times in response to a policy unlike the classical theories which assume that individuals are rational. (Agrawal 2008). In support to the theory, Ariely (2008) claims that human beings are predictably irrational. The behavioral economic experts have shown how simple changes can lead to more financial inclusion.

Dan (2008) adds that**,** unlike what classical economics assumes, people seldom know what lies in their best interests and often end up making non-optimal decisions. The various experiments used to understand this behavior point that people do not select the best choice given the options. Hence, it is better to include a default amidst various options, with default being the choice that leads to a better choice. The default means that if the consumer is unable to choose, the default option will be applicable.This mechanism has been used to increase savings in many organizations. Earlier, employees had to opt in for the pension plan and most preferred not to opt for the pension plan. The choice was rephrased with help from behavioral research. Unlike previously, employees had to select whether they wanted to opt for the pension plan, this time the employees were enrolled automatically in pension plans. So, if they didn't want to take the plan, they had to opt out of the plan. The default option had changed and the onus was now on the employee to opt out of the saving plans and most knowing the benefits, preferred to stay with the scheme. This led to increase in the pension savings in many organizations.

A similar mechanism could be deployed to increase usage of bank accounts. It is suggested that instead of giving cash transfers to the public, government should instead credit the bank accounts of the poor electronically. This will make people use their bank accounts. Now, this may work in developed economies but is going to be difficult to implement in developing economies like Kenya. Nevertheless, it could be pilot-tested in a few urban regions. The other change is simplification of procedures. It has been also seen in experiments that people are reluctant to go to banks as they are not clear of the directions and processes. Behavioral experts suggest that measures like giving people a map showing the direction of the bank and asking for a time for appointment with the banker would lead more people to come to the bank. Another important finding is that poor people avoid banks because of complicated forms and procedures. Simpler structures will lead to higher footfalls to the banks. This theory calls for transformation in the type of banking services being offered by banks, behavioral change by consumers and provision of education top customers as means to increase financial inclusion which have been overlooked by earlier researches(Ariely,2008).

3.3.1 Barriers to provision of financial services

3.3.2The type of products and services

A survey conducted by Robinson et al (2012) found that without a safe place to save up money, it may be very difficult for people to take advantage of high return investments of many types. Likewise, without a safe place to keep an emergency cash buffer, vulnerability to shocks might be very high. Recognizing this, policymakers and international aid organizations have begun to devote attention to expanding access to financial services in developing countries, especially in rural areas where access continues to be extremely limited. This paper shows that unless serious attention is paid to the reliability and quality of financial services offered, simply expanding access by reducing monetary or time costs will fail to effectively achieve financial inclusion. Finally, Robinson suggests that more attention should be paid to the types of products that bank provide because while basic savings accounts do appear to be useful to a minority, more sophisticated products might be necessary for others.

3.3.3 Financial education

Bernatzi (2004) found that many people are uninformed about banking options because they have no experience in them and so do not use them in totality. He adds that failure of banks to educate their customers on the available products and how to use them is a barrier to financial inclusion. For example, most individuals borrow loans from banks without a clear plan of how the money is going to be invested and thus end up misusing the loan and thus sinking deeper into poverty due to failure to repay. Also, the fact that bank marketing campaigns have been centered on expansion of financial services, has disregarded the need for educating customers on financial services. Mas and Kumar (2010) have also argued that delays in handling of customer complaints and lack of proper channels for addressing the grievances have also played a major role in promoting poor financial inclusion.

3.3.4 Customer attitudes and perceptions

Dupas et al (2012) suggests that trust is one of the major reasons as to why people don't use banking services. This is not good for financial inclusion via agents. Warutere (2005) associates this wariness to the scandals that have occurred in the past like the Goldenberg and the most recent economic melt down throughout the world, whose effects are still being felt in Kenya today.

This means that banks agents have to win trust of customers by investing in consumer protection and improvement in the quality of their services since many people still bypass the local agents and go to the main bank branches.

3.3.5 Striking a balance between security of the system and its customers and providing space to innovate viable business models.

Siedek (2010) found that policy makers and regulators are interested in banking agents for their potential to extend the financial system infrastructure cost effectively into rural and underserved areas. However, the existing regulation is practically over restrictive on some fronts and under protective on others. Changes to the regulatory framework in Brazil, Colombia, and Peru have opened things up for banks to establish often large-scale agent networks. Countries like India, Pakistan, Kenya, and others are close behind. The approach taken in regulation on questions such as the types of outlets permitted to serve as agents, the kinds of activities agents are permitted to perform, and the protections given to customers who are often great distances from the provider of their financial services all have a potentially significant impact on the viability of banking through agents.

Empirical evidence suggests that improved access to finance is not only pro-growth but also pro-poor, reducing income inequality and poverty (Beck et al, 2009).Cross-country regressions have shown that economies with better-developed financial systems experience faster drops in income inequality and faster reductions in poverty levels. Financial depth can have direct and indirect effects on small firms and poor households (Beck et al 2008). Greater depth is likely to be associated with greater access for both firms and households, making them better able to take advantage of investment opportunities, smooth their consumption, and insure themselves.

Chandran et al (2010) found that the present agent banking model is too restrictive, cash delivery points are too modest and the ideal financial inclusion model is yet to evolve in the country. The robust financial inclusion model requires comprehensive participation of all stakeholders which is currently lacking in the country.

Sarath (2010) adds that financial inclusion among urban poor warrants an alternate strategy as the physical access is not the critical issue but the pricing affordability of the financial services and the fact that the poor are always moving from one place to another.

Committee on Financial Inclusion (2008) also postulate that lack of financial literacy among the urban poor or lack of marketing of financial instruments to the urban poor lead to limited awareness of financial portfolios by these people. Sometimes there is a self exclusion by the poor from the formal system as they are heavily depended on the informal credit sources which cater according to their convenience.

It is interesting to note that people who are financially excluded do not know what help is available or how to ask for it. It is thus important to ensure that as many of customers as possible are aware of the services that banking organizations and also other local agencies provide. In addition, it is important that customers are aware of the products that they can be helped them to access.

Further studies by financial inclusion strategy (2008) explain the dire effects of under inclusion. On an individual level it’s difficult to get a job because many employers require a bank account in order to facilitate payment of wages and they also can’t enjoy the benefits of discounts offered by use of debit cards and other payment services automated services. Lastly they are not able access free financial advice which could help them avoid significant financial stress.

Barik (2006) opines that the financially excluded section in rural areas mainly comprise marginal farmers, landless laborers, rural lessees, families of scheduled castes and scheduled tribes, ethnic minorities, socially excluded groups, migrants, senior citizens, women and self-employed persons. They are the underprivileged sections of rural society and the population of the bottom of the pyramid. They are deprived of access to the most basic financial services. They have the restrictive access to financial system through merely banking services for deposit and withdrawal of money. Women in the rural areas of the country are the most affected people due to inadequate access to agricultural credit in comparison to men.

Barik (2006) adds that the above mentioned vulnerable groups faces the severe consequences of financial exclusion. Due to demand side and supply side constraints they incur higher transaction cost in addition to procedural hassles. The financial exclusion causes increased travel requirements, decline in savings and investment capacities, difficulties in gaining access to credit, increased unemployment, higher incidence of crime etc.These bottlenecks facilitate the availability of credit from informal sources at costlier rate of interest. Most of the informal financial institutions in rural areas are exploitative in nature. Their financial services deteriorate the productive capacity of common man in rural areas.

The small business also suffers due to financial exclusion as a result of in access of middle class and higher-income consumers in up-country side. They also incur higher cash handling costs; suffer delay in remittances of money. The vulnerable groups suffer from vicious circle of poverty due to financial exclusion.

Financial exclusion can also lead to social exclusion. Mahmood et al (2011) found that logistics was a barrier to financial inclusion. He opines that financial services are not delivered in many regions where it is not considered feasible by the service providers – for example, areas with very low population density or harsh climatic conditions.Even those from these regions who subscribe initially, either on their own or through any one time initiative of a financial institution, may not use the financial services as actively as others because of poor infrastructure, long distances between the bank and residence, etc. The loss is not only the transportation cost but also the loss of daily wages for a low income individual. He also identifies knowledge and behavior as another barrier. According to him, Most of the excluded consumers are not aware of the bank's products, which are beneficial for them. Even in the cases where product awareness is there, the borrowers are not sufficiently financially skilled to use the product efficiently. Also, many people are not comfortable using formal financial services. The reasons are difficulty in understanding language, various documents and conditions that come with financial services.

A desk study by Scottish council foundation(2007) undertaken into financial inclusion identified barriers as including pricing of products and services, inappropriate product conditions, lower knowledge of financial products and services caused by uneven marketing, lack of free debt advice, lack of generic financial advice and persistent low incomes. With the transition to Direct Payments for benefits, there is a challenge in ensuring that everyone understands how their account works and in supporting good financial management and planning.

4.0 Method and material

4.1 Research design

The study employed both primary and secondary data to achieve the objectives. Primary data was collected using questionnaires in the actual research process while secondary data was gathered from past records of the banks in Nyeri town and other journals regarding the objectives. The study was both qualitative and quantitative since bank agent opinions, knowledge, and experiences were needed in the final analysis and numerical data was instrumental in analyzing the factors influencing poor financial inclusion. The pilot study was conducted in the first week of research where errors in the instruments were corrected before proceeding with the actual research. The research was conducted in Nyeri town using census of all bank agents.

4.2 Population and sample frame

The commercial banks in Kenya constitute the population of the research. Currently there are 43 commercial banks and one mortgage financial institution in Kenya. Out of these 44 financial institutions, 11 have branches in Nyeri town where the research will be conducted. Only 3 of the commercial banks use agents in provision of their services and these will form my sample. A census of all the agents will be done and the data analyzed to come up with conclusions. The following table represents the analysis of sample population

Bank name	Number of agents
Equity bank	28
Kenya commercial banks	7
Cooperative bank of Kenya	15
Total	50

4.3 Methods of data collection

The research instruments employed to collect data included questionnaires for primary data and both internal and external relevant documents in the agent banking sector for secondary data. For questionnaires the researcher came up with a standard questionnaire for all the 4 commercial banks agents in Nyeri town, the questionnaire composed of unstructured questions to gather opinions, understanding, knowledge and sentiments of the respondents and structured questions to gather numerical data concerning provision of financial services financial by bank agents. The questionnaires were directed to the bank agents of the respective banks. Secondary data shall be gathered both from within the banks to be investigated and their agents and from books and business journals financial inclusion.

4.4 Validity and reliability

To achieve content validity, the researcher ensured that the data collected both primary and secondary data provide measurable and relevant information lending rate in the context of Kenya. To measure construct validity, the researcher ensured comparability between different data collected not vary too much but is within the limit acceptable for the research. To measure internal validity the researcher ensured that the independent variables are consistent with factors influencing poor financial inclusion as provided by the data collected. The criterion validity was demonstrated by comparing the accuracy of my research with other findings already determined to be valid, and the consistency in the sampling technique.

Reliability was measured by pre-testing the questionnaire in agents around Kimathi University and by presenting it before the panel to and my supervisor to verify it before the actual research. The researcher will also ensure reliability by assuring the bank agents that the information provided shall be private and confidential and that the researcher will comply with the research ethics and data protection act. The researcher also went with a letter from the university authorizing the collection of data from these banks.

4.5 Methods of data analysis

The research made use of both the qualitative and quantitative methods of data analysis and related them to research questions. The likert scale will be used to analyze the responses separately. For each question the researcher analyzed the variables and their relationships separately. The data was summarized and classified in terms of the objectives of the research. In order to enhance further analysis and processing, the responses to the questionnaires and the secondary data gathered were coded then tabled for analysis. The data was edited to ensure completeness, accuracy, quality, quantity, to avoid errors, omissions, and ambiguity and any inconsistency in the data gathered. Descriptive statistics will be used for the analysis to help in establishing the findings on the objectives of the study. Tables, graphs charts were used to analyze the variables determining poor financial inclusion.

5.0 Results and Discussion

A total number of 42 questionnaires were issued to the bank agent respondents and 32 of them were returned as fully completed; an equivalent of 76% response rate. Four of the questionnaires were incomplete and six of the respondents did not resubmit their questionnaires.

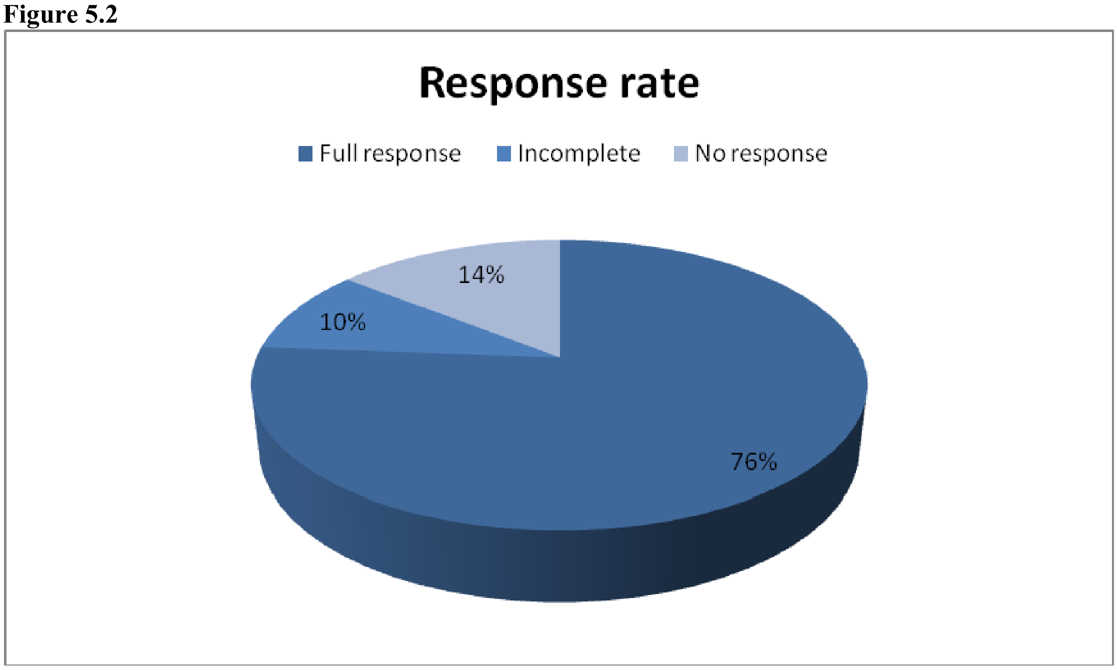
Table 5.1 Respondents Response

Response	Frequency	Percentage
Full response	32	76%
Incomplete	4	10%
No response	6	14%
Total	42	100%

(Source: Researcher 2012)

Out of the sample size of 42, 32 respondents were fully responsive (76%), 4 questionnaires (10%) were incomplete and hence could not be used for data analysis while 6 respondents did not respond at all (14%). Hence the researcher validated 32 questionnaires which he used for the data analysis and presentation. This was presented in the pie chart below.

Figure 5.2



(Source: Researcher 2012)

5.1.2 Broad objective

The study was conducted to identify the challenges facing banking agents in provision of financial services to customers in Nyeri.

5.1.3 Specific objective

i. To determine the extent to which the type of products and services offered by banking agents affects provision of financial services.
ii. To establish the extent to which customer attitudes and perception affects financial inclusion.

iii. To evaluate whether customer financial education influences provision of financial services.

5.2. Data Analysis

5.2.1 The type of products and services offered by agents and their effects on provision of financial services.

The respondents were asked whether they had undertaken any agent banking training and also asked to indicate the types of services and products which they offered to customers. In addition, respondents were asked to name the most frequently used service.

Furthermore, the respondents were asked to indicate the extent to which the type of products and services influenced provision of financial services. It was found that 100% of the bank agents had undergone some form of financial training facilitated by the parent bank.

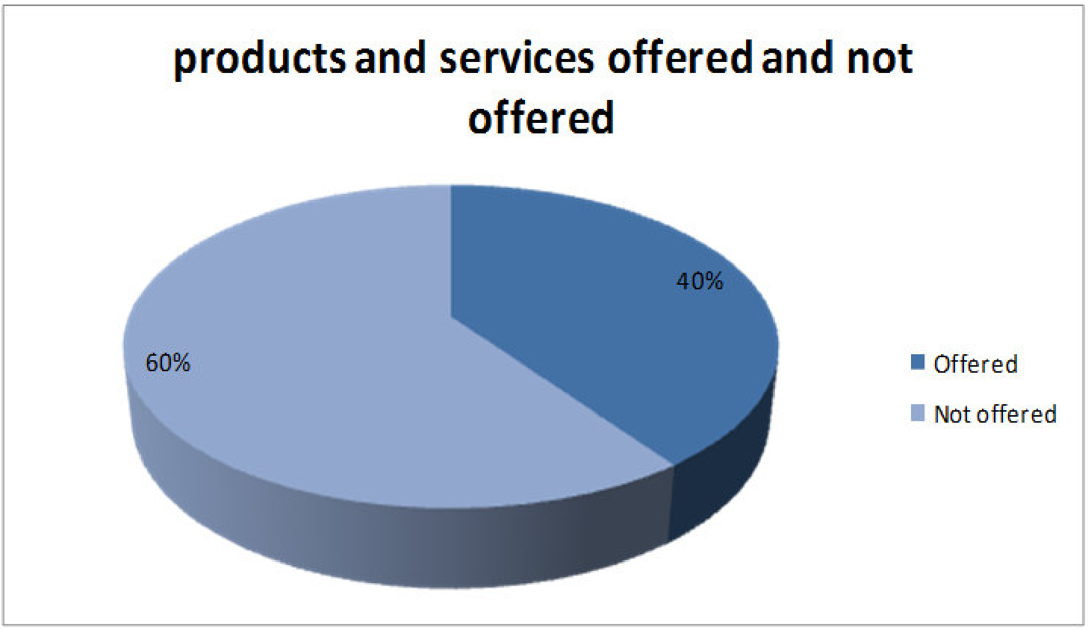
Table 5.2.1 Products and Services offered and not offered by agents

Product/service	**Frequency**	**Percentage**
Offered	4	40%
Not offered	6	60%
Total	**10**	**100**

Source: Researcher 2012

For the ten bank products and service options available in this study only four services were offered by agents. This is an equivalent of 40% services offered and 60% not offered. The services offered include bill payments, savings accounts and customer advice and support. Products not offered include Loans, insurance, point of sales, financial education, Bankers cheques and Current accounts. This is presented in a bar graph as shown below.

Figure 5.2.1



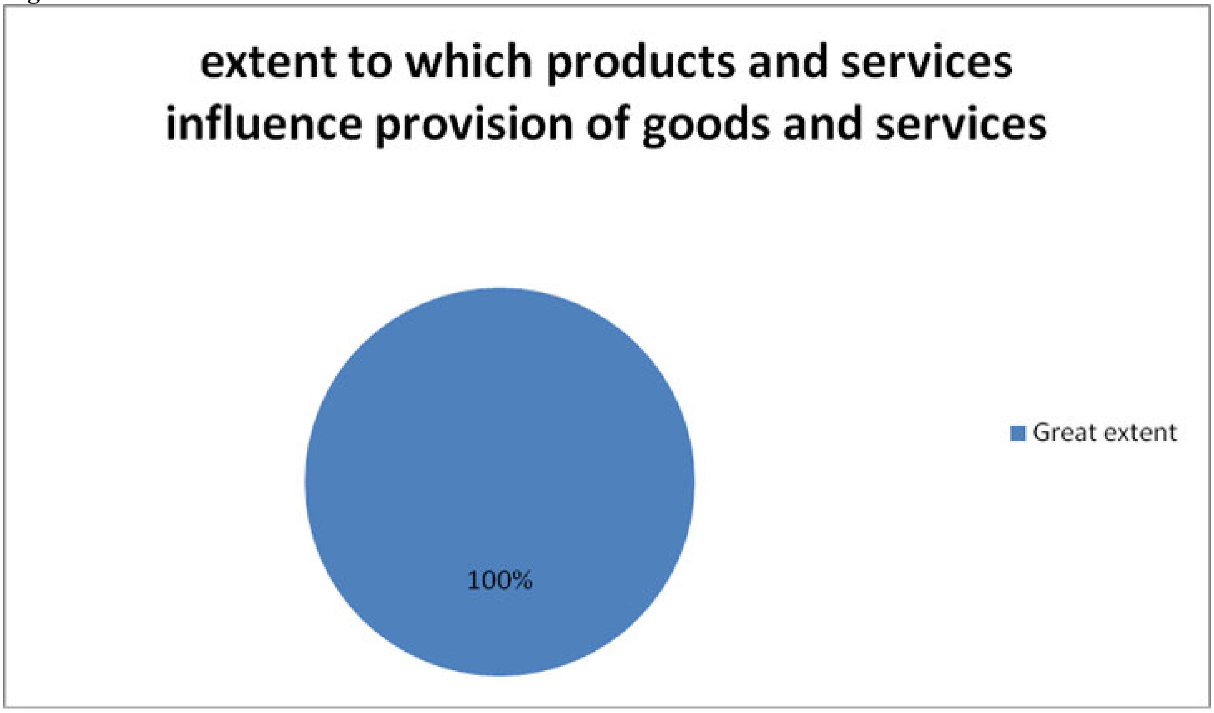
The extent to which the type of products and services offered influences provision of financial services was found to be 100% as all respondents chose the option "Great extent"

Table 5.2.2: The extent to which products and services influence provision of financial services

Value	**Statement**	**Frequency**	**Percentage**
5	Great extent	42	100%
4	Fair extent	0	0
3	Neutral	0	0
2	Weak extent	0	0
1	None	0	0
	Totals	**42**	**100%**

The above information can be represented graphically in a pie chart that indicates that 100% of the respondents thought that the products and services offered by their businesses determines the foot fall in their business hence provision of financial access.

Figure 5.2.2



5.2.3 Customer attitudes and perceptions and provision of financial services by bank agents.

The respondents were asked whether their customers showed preference for actual bank branches as compared to the agents. From the responses it was concluded that 41% of the responded said that it was to a great extent, fair extent was 34%,Neutral 9%,weak 13% and none 3%.Most respondents attributed this preference to customers mistrust for bank agents because it was relatively a new banking concept and the low income of their customers. The following table captures the responses.

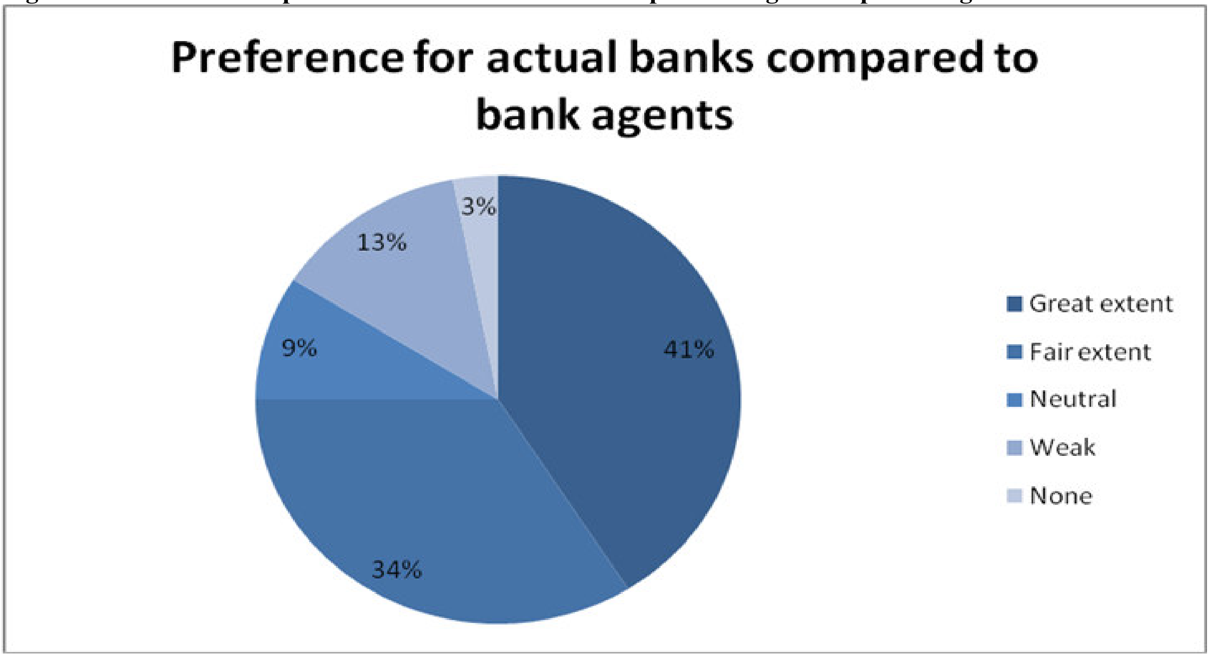
Table 5.2.3: Customers preference for actual banks compared to bank agents

Preference	Frequency	Percentage%
Great extent	13	41
Fair extent	11	34
Neutral	3	9
Weak	4	13
None	1	3
Totals	32	100

Some of the respondents confirmed that insecurity was also another major cause for their low customer turn up while at the same time adding that their services were relatively expensive compared to what the banks were offering.

The above data can represented as follows

Figure 5.2.3: Customers preference for actual banks compared to agents in percentage



5.2.4 Financial education and provision of financial services by agents

The respondents were asked to indicate from a scale of five options, the extent to which the level of financial education of customers influenced provision of financial services. The findings were that: Great extent 69%, Fair extent 13%, Neutral 6% , Weak 9% and None 3%.

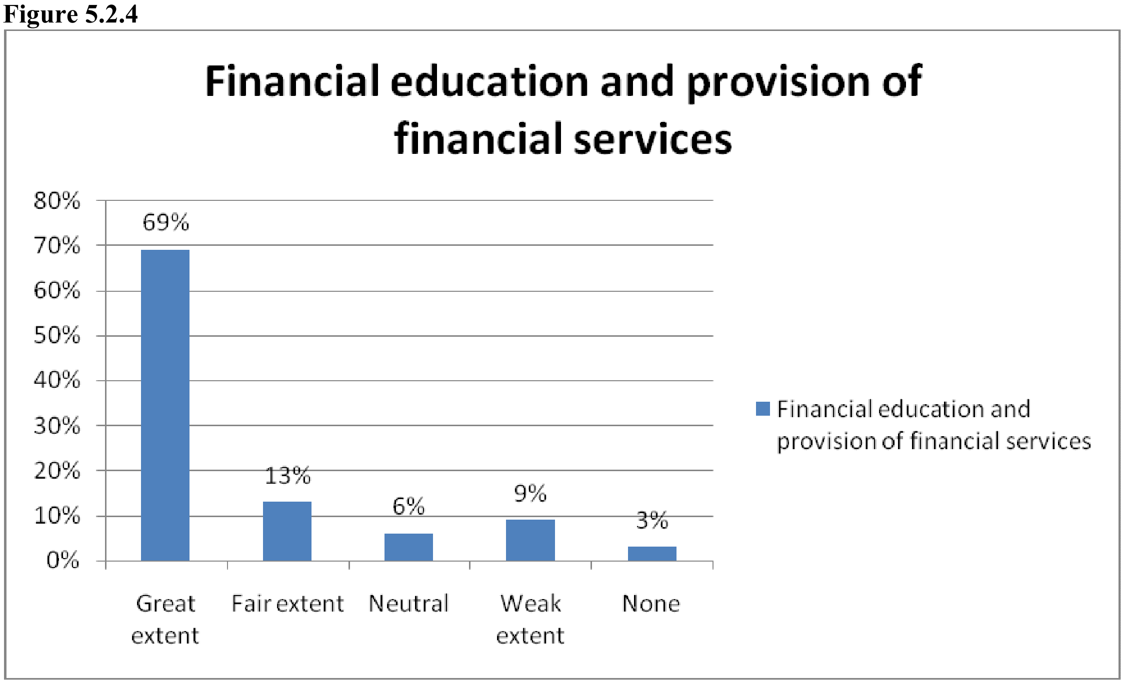
This information has been analyzed in a table as below and a pie chart follows.

Table 4.2.4: Financial education and provision of financial services

Value	Statement	Frequency	Percentage%
5	Great extent	22	69
4	Fair extent	4	13
3	Neutral	2	6
2	Weak extent	3	9
1	None	1	3
	Totals	**32**	**100**

This is represented as shown below in a pie chart as below.

Figure 5.2.4



5.2.5 The level of customers' knowledge about financial services

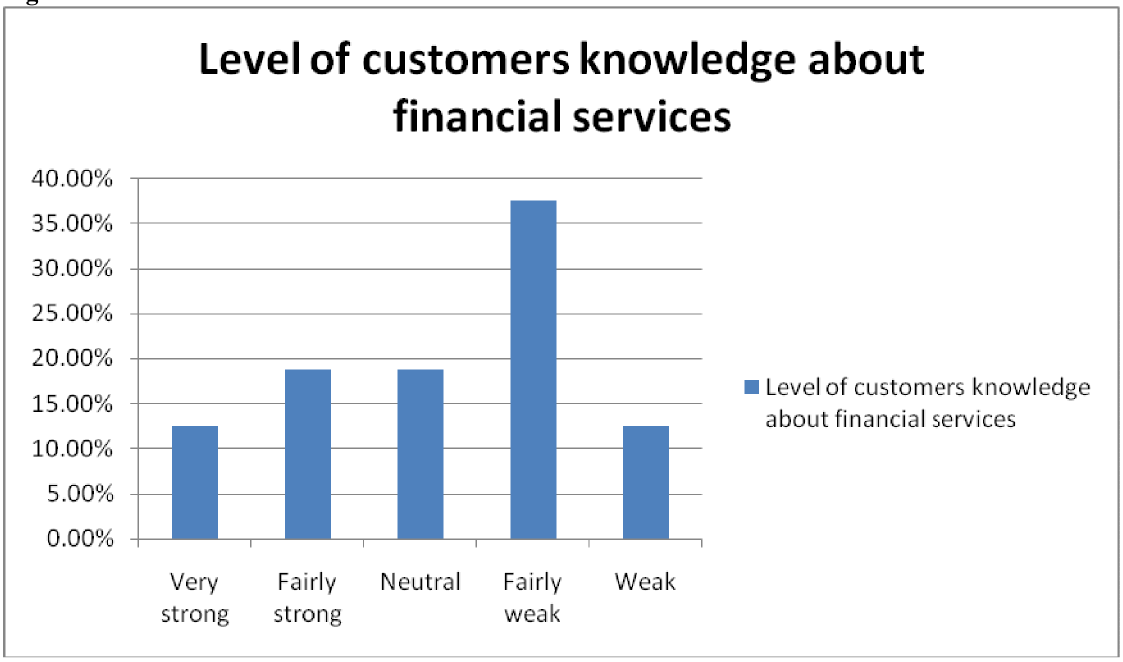
The researcher also sought to find out the level of customers knowledge about financial services offered by bank agents. The researcher found the following; very strong 12.5%, fairly strong 18.75%, Neutral 18.75%, Fairly weak 37.5% and weak 12.5%. In total 50% of the respondents agreed that the customers were generally weak knowledge wise concerning financial services.

Table 4.2.5: The level of customers' knowledge about financial services

Value	Statement	Frequency	Percentage%
5	Very strong	4	12.5
4	Fairly strong	6	18.75
3	Neutral	6	18.75
2	Fairly weak	12	37.5
1	weak	4	12.5
	Totals	32	100

The following graph provides an analysis of the above findings.

Figure 5.2.5



5.3 Other findings

The respondents were also asked whether they had undertaken training on provision of financial services and 100% answered on the affirmative and added that the training had assisted them in provision of better financial services to the customers.

It was also found that 75% of the respondents felt cheated into the agent banking business because of low customer turn up which minimizes the profits. Competition level was also very high. In fact, bank agents from co-operative bank and Kenya commercial banks claimed that Equity bank agents were doing better.

The level of financial education for customers was found to be very dismal. Majority of the agent banking vendors were women by a percentage of 75% and all respondents had at least secondary school education.

6.0 Summary of the Findings

The research was conducted to evaluate the challenges faced by banking agents in provision of financial services to customers. The study was conducted in Nyeri town. Results from the study indicate that a substantial number of respondents associated amount of profits they made with the type of products and services they offered. The more and better the services the higher the profits hence increase in provision of financial services. These findings portray a positive relationship between the types of services offered and provision of financial services.

It was also established that customer attitudes and preferences had great influence on provision of financial services. This is due to the level of mistrust and perhaps ignorance on the part of the customers.

Agent banking is relatively a new model which is currently taking shape and so most customers are taking their time in embracing. Most of the respondents interviewed intimated that customers would rather go to the actual banks as compared to bank agents. In addition, it was found that if the customers place of work was near the bank then the customers were bound to conduct all their transactions in the bank and that the low level of customer income discouraged customers from using bank services generally. This explains why most of the respondents confirmed that the savings product was the least used by customers since they lack money to spare.

It was also discovered that the level of customer education influences provision of financial services.

Bank agents operating near universities where the clients served were more techno-savvy compared to rural areas exhibited more reception to the services offered by bank agents. In fact, such agents reported more profits due to high foot fall in their business. Majority of the respondents indicated that the level of ignorance among consumers about banking was astounding. Some respondents even said that some customers had no information whatsoever about the existence of agents whatsoever and this was affecting provision of financial services negatively. This situation was aggravated by the fact that some of the agents employed personnel who were not thoroughly educated financially and some of the respondents who were interviewed required plenty of time to understand some of the bank services under study in this research.

Generally, the higher the level of customer knowledge about financial services, the higher the reception of bank services offered via agents.

7.0 Conclusions

The following conclusions were drawn based on the findings of the study;

i. The type of products and services offered by bank agents was a major hindrance to provision of financial services.
ii. Customer attitudes and preference influenced negatively the provision of financial services via agents due to lack of trust in agents by customers and ignorance.
iii. Financial education a major barrier to provision of financial services by agents. Not only were the customers unaware of most of the services offered by agents but also underutilized the services available.

8.0 Recommendations and suggestions for further research

The study makes the following recommendations based on the above stated findings and conclusions;

i. There is a need to tailor make bank products that majority of customers can have access to. Simply bringing bank agents closer to the public then expecting individual s to embrace them is just an illusion. Banks will have to reduce the cost of their services making them affordable to the low income majority of the population. The respondents also complained about lack of transparency by the parent banks especially where transaction fees were concerned. The fact that most of the banks limited the bank agents' activities was also a major hindrance to provision of financial services. Banks have to be more transparent and give their agents more freedom in terms of the variety of services that can be offered.
ii. To address the mistrust exhibited by the public on bank agents, bank must revisit their marketing strategies and revamp their advertisements on the services offered by agents. Security of customers will have to be ensured both physically and electronically to prevent cases of fraud and theft since most customers do not feel safe conducting their banking services in premises whereby insecurity is rampant.
iii. In the era of cyber crime, customers have to be assured that their money is safe and so are their information which if not well guarded could lead to unforeseeable loss. Latest technology must be used to enhance security of customer data while the agents' area of operation must be guarded and safe.
iv. Mass public financial education must be done in order to make people aware of bank services and how to use them. People must be made receptive to the benefits that come from increased savings and use of loan services.
Insurance services are also crucial in mitigating losses in an economy and thus there is a need for customer attitude change towards such services and others.
v. Banks need to increase the level of education of their agents in order to ensure competences and quality provision of bank services and products and reduce cases of fake currency as mentioned by respondents.
vi. There is also a need to balance between rules and regulations for agents and enabling them to conduct their business profitably by ensuring that the rules are not a stumbling block to provision of bank services but rather a stepping stone for quality services and products for customers.

Suggestions for further Research

The researcher concludes by making the following suggestions for further research;

i. The impact of agent banking on economic growth of the country.
ii. Ethical issues in agent banking in Kenya.
iii. Bank rules and regulations and how they affect bank agents' performance.
iv. Competition among banks: A threat or an opportunity for growth of bank agents?

v. Customer cultural attitudes and beliefs and how they affect bank agents in provision of financial services in Kenya.

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