

**IMPACT OF AGENCY BANKING ON CUSTOMER SATISFACTION. (A CASE STUDY
ON EQUITY BANK OF KENYA ELDORET TOWN AGENTS)**

BY

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DECLARATION

Declaration by the Candidate

This thesis is my original work and has not been presented for a degree in any other University. No part of this thesis may be reproduced without the prior written permission of the author and/or Moi University.

Kariuki Nyakio Maryfaith.....

Date: Signature.....

Declaration by Supervisors

This thesis has been submitted for examination with our approval as University Supervisors.

Name of Supervisor

Date:.....SIGN.....

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DEDICATION

I hereby dedicate this research paper to my most esteemed lecturers, university staff and my beloved parents for their highly appreciated contribution in achievement of my first Bachelor Degree.

ACKNOWLEDGEMENT

I give thanks to God almighty for His love, Care and blessings. I also want to thank those in one way or the other, who contributed to the success of this work. I appreciate the efforts made by my supervisor, who saw me through the writing of this research project.

ABSTRACT

This study sought to investigate Agency banking and its effects on Customer satisfaction. The banking sector in Kenya has experienced turbulent times following the collapse of many banks in the 1990s. In order to minimize their operational costs, commercial banks have adopted Agency banking including automatic teller machines, mobile banking and internet banking where customer can access financial products in outlets near them. It can make basic financial services more accessible by minimizing time and distance to the nearest retail bank branches as well as reducing the banks own overheads and transaction related costs. The objective of this study was to determine the effect of accessibility, reliability and efficiency of agency banking services on customer satisfaction. The study applied descriptive research design. The target population included 5 equity bank Agents in Eldoret beach with 150 respondents. The study used secondary data from books, e books, website, unpublished research papers, websites etc.

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LIST OF ABBREVIATIONS

CBK: Central Bank of Kenya

POS: Point on Scale

KCB: Kenya Commercial Bank.

DEFINITION OF TERMS

Customer satisfaction.

It's is a person feeling of pleasure or disappointed resulting from comparing a product perceived performance in relation to his or her expectations.

Service quality

This include basic needs of performance, delivery time, features of service and can be controlled by the service or product provider.

Convenience

The state of been suitable or opportune in relation to time and situations.

Regulations by CBK

Regulations and Guidelines issued by the Central Bank of Kenya subject Banks to certain requirements, restrictions and guidelines. This regulatory Structure creates transparency between banking institutions and the Individuals and corporations with whom they conduct business, among other things.

Agency banking - retail outlet contracted by a financial institution or a mobile network operator to process clients' transactions. It also refers to offering bank services through the selected individuals or company in this case the agents.

Agent – An individual or company that offers services on behalf of the bank normally it must be an existing business.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Agency banking was launched in 2010 to contribute to increased access to banking services. Agency banking refers the delivery of financial services outside conventional Bank branches and that entails the use of non-bank retail outlets that rely on technology such as point of sale (pos) terminals or mobile phones for real time processing.

Agency banking model was developed as a strategy to increase financial use by bank customers. Moreover due competition amongst commercial banks, actors within formal sector developed new ways of delivering their services so that even low income and rural individuals can access them. Branchless banking which is the use of alternative delivery channels such as mobile banking and agent banking is becoming increasingly popular among commercial banks in Kenya and other developed countries.

Agency banking took effect in May 2010 to contribute to increased access to banking services. This was after the publication of prudential guidelines by the Central Bank of Kenya (CBK) authorized 13 CBs to offer banking services through third parties (agents). Since 2010, a total of 21,816 agents had been contracted facilitating over 69.2 million transactions valued at ksh. 366.8 million. The number of banking transactions in agency outlet increased from 10.2 million registered in the quarter ending September 2013.

Banking Agents can be located in any convenience stores, pharmacies, lottery outlets, post offices and many more according to Central Bank of Kenya, July 2013.

Equity bank of Kenya founded in October 1984 as originally a provider of mortgage financing for majority of customers who fell in to low income population. Today equity bank has 152 branches and 7720 agents spread all over the country with her services diversified over the years.

1.2 Statement of problems

Banking services have been for a long time characterized with long queues, jamming of machines, decreased human labour and low turnaround time as seen in many commercial especially national bank of Kenya, post bank and Kenya commercial bank.

The slow operations often resulted to high costs, wastages of resources due to paper work and bureaucracy making customers feel totally unsatisfied. Therefore a way forward to improve and enhance customer satisfaction in the banking sector is very much welcomed through adoption of new strategies.

Agency Banking is a new strategy that had been adopted in most of commercial banks in Kenya with its launch in 2010 by CBK. Agency banking has been employed to increase the market share of commercial banks and offer banking services to their clients in varied places increasing customer satisfaction.

Implementation of Agency banking model has been guided by three major elements: IE Accessibility of banking agencies and efficiency in service delivery, all these designed to render maximum customer satisfaction.

There has been a lot of studies on Agency banking, but these studies are not exhaustive because agency banking is experiencing a lot of new developments and new changes come up on a daily basis. In Kenya, Agency banking is regulated by Central Bank of Kenya and until now agents have not been allowed to offer all banking services to consumers. The study therefore sought to answer the question; what is the impact of Agency banking on customer satisfaction?

1.3 Purpose of study.

This study is intended to establish the impact of Agency banking on customer satisfaction more specifically by Equity bank of Kenya Eldoret Branch.

1.4 Research Objectives

To determine the effects of accessibility of bank agents on customer satisfaction.

To determine the efficiency in service delivery on customer satisfaction.

To determine the reliability of Agency banking on customer satisfaction.

1.5 Research Questions

Does the accessibility of bank agents lead to customers satisfaction?

Are bank agents accessible to all?

Do bank agents deliver reliable financial products and services?

Are banking agents effective in customer services?

Does effective customer services of bank agencies impact customer satisfaction?

1.6 Research Hypothesis

The hypothesis in this research can be viewed in both null and alternative perspectives.

First, accessibility of bank agents increases customers satisfaction or has no effect on customer satisfaction.

Secondly, Reliability of bank agents services determine the level of customer satisfaction.

Finally, bank agents deliver efficient customer services.

1.7 Significance of Study.

The study will help in analyzing efficiency of banking services by Agents, it will also justify whether accessibility of banking agents offers customer satisfaction . The finding of this study will be used for future references.

The study will also enable me to understand in a clear manner the impact of Agency banking on customer satisfaction.

CHAPTER TWO

LITERATURE REVIEW.

2.1 Introduction.

Customer satisfaction

Kotler 2003 defined "Customer satisfaction as a person's feeling of pleasure or disappointment resulting from comparing a products perceived performance in relation to his or her expectation". Wikipedia defines it as "Customer satisfaction, a business term is a measure of how product and services supplied by a company meet or surpass customer expectation". Generally, customer satisfaction is defined as "The provisions of goods or services which fulfill the customer expectation in terms of quality and service, in relation to price paid".

Satisfaction can be determined by subjective (e.g. customer needs, emotions) and objective factors (e.g. product and service features). Take the banking industry for example Customer service is an integral part of any facet of banking and it defines the future of any banking organization. For a sector like banking industry, the whole range of activity and generation of income rotates around the customer. It is necessary to identify the key success factors in the banking industry, in terms of customer satisfaction keeping in view the increasing market size and intense competition. In general satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a products perceived performance relation to his/her expectations. If the performance falls short of expectation, the customer is dissatisfied. If the performance matches the expectation customer is satisfied. If the performance exceeds the expectation the customer is highly satisfied. Customer satisfaction cannot be very difficult. After all you either satisfied with the services you receive or you are not. If you don't you are not. If it is that easy, then obtaining people's opinion about how satisfied they are with relatively straightforward matter- or is it? Customer satisfaction is a marketing tool and a definite value-added benefit. It is often perceived by customers as important as the primary product or service your organization offers. It looks at what is involved from 3 different angles, the first is from the view of an organization wishing to understand, and measures, how satisfied its customer are with

the products and services they receive from it. The second is from the perspective of our search agency that has been asked to obtain feedback from customers and about their experiences when dealing with companies. Finally it considers the issues of accessibility of products, reliability of products and the degree of efficiency in customer service delivery. For a customer to be said to be satisfied these three parameters must be put into our consideration, the main objectives of this study was to establish how accessibility of banking Agents, reliability of agency banking and efficiency in customer service delivery impact customer satisfaction. A case study on Equity bank of Kenya Eldoret town branch Agents.

2.2. Agency Banking

Agency banking refers to bank partnerships with nonbanks, typically retail commercial outlets, ranging from lottery kiosks, pharmacies, post offices, supermarkets etc to provide distribution outlets for financial services . An agency bank is an organization that acts in some capacity on behalf of another bank but it cannot appraise or extend loans in its own name because it has no right to transact all banking services . Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, transfer funds, pay their bills, and make balance enquiries. The agent is involved in carrying out certain specified transactions for the customer on behalf of the bank.

Agency banking model is facilitated by growth of technology in developing countries like Kenya and most banking institutions in Kenya have adopted Agency banking strategy to accelerate expansion geographically. Examples of Banks that have adopted and have been approved by Central Bank of Kenya to offer Agency banking services include; Equity Bank with Equity mashinani, Kenya commercial bank with kcb mtaani, post bank with Benki yangu and cooperative bank with Co-op Kwa njirani all these approved by CBK in 2010. The Central Bank still reserves the rights to regulate implementation and operations of Agency model as law demands , banks also need to obtain annual approvals from CBK after submitting particular agents, their names, locations, commercial banks and a sample contract.

The use of third party in banking industry to provide banking services has been in the face of stiff competition with each bank trying it level best to provide best services to customers and enhance customer satisfaction. The concept of customer satisfaction in agency banking now days

has been the secret ingredient in developing technically and developing competitive advantage over other banks. Banks are now offering accessibility to product, ensuring reliability of the agents and maximizing efficiency in customer service delivery as core catalysts of customer satisfaction.

2.3 Accessibility of Agency Banking on Customer Satisfaction.

Accessibility refers to ability to access and benefit from some system or entity. The concept of accessibility ensures both direct access which is basically unassisted and indirect access meaning compatibility with persons assistive technology for example computer screen readers technology. The concept focus on establishing access for people with disabilities or special needs or enabling access through the use of assistive technology, However in research and development accessibility bring benefits to everyone.

Accessibility in terms of agency banking services

Banking agents have many financial products accessible to their customers, these include

Cash deposit

Bill payments

Cash withdrawal

Cash deposits

Funds transfer

Balance enquiry

Mobile banking service etc.

The CBK has allowed these services to be accessible in all banking agents and therefore customers need not to visit bank branches for these services. However there are some crucial services which are not accessible to customers in bank Agents and with regular review of CBK regulation these products are in the process of being availed to consumers with development of technology. Service not accessible include;

Perform and carry out transactions when the networks and communication failure is experienced. The transaction must have acknowledgement or receipt.

Charge customers any fees

Carrying out agency banking business when agent is no longer a going concern

Offer its own banking services apart from the sponsoring bank

Anti-money laundering services.

Foreign exchange transactions

En-cashing and depositing of cheques

Provision of cash advances and loans

Subcontracting to any business to run its agency banking

Any banking Agents that offers prohibited transactions is at risk of having its contract terminated.

Accessibility in terms of location.

Several Kenya commercial bank records increased uptake of Agency banking models. Bank have located their agents every where from towns to rural areas, this providing the opportunity to access financial products and services at a location nearest to the customers thus breaking down certain barriers to financial inclusion such as cost of accessibility.

The consumers are therefore able to reach banking Agents whenever they have issues relating to financial problems. With the desired manner of accessibility to financial products banks are able to enhance highest satisfaction on customer. Nowadays customers don't want to strain accessing goods and services and therefore it's the duty of service provider to bring agents closer to consumers. Indicators of customers satisfaction from accessibility of banking agency is consistency in using agency banking, convenience in terms of distance, availability of suitable products.

2.4 Efficient Customer Service Delivery on Customer Satisfaction in Agency Banking.

Cronin and Taylor in their analysis of the causal relationship between quality, customer satisfaction, and purchase intention found that service quality was a driving force of consumer satisfaction, consumer satisfaction had significant effect on purchase intention. In analysis this then means that efficient service and customer satisfaction results in high level of purchase intentions. Wolfson, Tavor, and Mark, (2012) says that the heart of service is in the value it gives to the stakeholders. The sustainability of service has two dimensions of core value; which is the fundamental nature of that service and super value; replacing other solutions by a more appropriate one. This is to say that when the Equity bank of Kenya is effecting change in using agent banking to its clients this is facilitated by ensuring confidentiality of customer information, employment of skilled professionals and creating a sense of belonging to customers when offering services.

Even though firms are trying their best to deliver a satisfactory service delivery, there are times when the service encounter fails. A failing service encounter can lead to negative outcomes such as negative word-of-mouth, loss of customers and decreased profits (Tax, Brown, and Chandrashekar 1998). The banks have therefore adopted service recovery systems which allows service reverse operations in case of errors in service delivery. This prevents customers from getting into losses and improves confidence of service provider. However, some customers have showed increased satisfaction from service recovery services which is good for both service provider and the parent Bank.

2.5 Product Reliability on Customer Satisfaction in Agency Banking.

Reliability generally means the ability of an item to perform a required function, under given environmental and operational conditions and for a stated period of time. The term “item” is used here to denote any component, subsystem, or system that can be considered as an entity. A required function may be a single function or a combination of functions that is necessary to provide a specified service.

Reliability in agency banking is determined by Agent float, liquidity management and network availability. Agent float is cash at hand and bank balances set aside for agent banking operations. For a customer to be able to deposit or withdraw the agent must have sufficient credit in the bank

for deposit and enough cash at hand for withdrawal. This means that the customer must have sufficient cash in the bank and cash in the till. This is the key challenge as many bank agents are not able to balance cash holding and some suffer from inadequate capital. The situation of float is worse for remote agents when deposit run low in matter of floats of Agents the reliability of agency banking ranks very low and doesn't satisfy the customers needs.

Another challenge is establishing an efficient reliable network system. Banks and their 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 hangs' 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 for lack of fare, a son or daughter somewhere being sent home for non-remitted school fees, a punitive disconnected utility supply. Bindra, (2007) argues that a satisfied customer will tell one other customer about the experience but a dis-satisfied customer will tell also tell people. Reliability of Agency banking therefore must be considered and challenging like floats and networks looked at as this will enable consistency, accuracy, adequacy, security and availability of financial solutions leading to satisfied customers.

2.6 THEORITICAL VIEW

2.6.1 AGENCY BANKING MODEL

Agency Theory Definition

Agency theory is a management and economic theory that attempts to explain relationships and self-interest in business organisations. It describes the relationship between principals/agents and delegation of control. It explains how best to organise relationships in which one party (principal) determines the work and which another party (agent) performs or makes decisions on behalf of the principal (Jensen and Meckling, 1976; Schroeder et al., 2011).According to Brigham and Gapenski (1993) agency theory is based on the premise that agents have more information than principals and that this information that adversely affects the principals' ability to monitor effectively whether their interests are being properly served by s agents. It also assumes that principals and agents act rationally and that they will use the contracting process to

maximize their wealth. In the simplest agency models, the organization is reduced to these two contracting characters: the principal and the agent. The principal's roles are to supply capital, to bear risk, and to construct incentives, while the role of the agent are to make decisions on the principal's behalf and to also bear risk (Lambert, 2002)

One of the primary challenges to providing financial services to the poor through branches and other bank-based delivery channels is the high costs of these traditional banking methods. In order for Commercial banks to serve poor customers with a small balance and conducting small transactions, it costs way too much to make them viable. But on the other hand, when banks do not have branches that are close to the customer, the customer will be more reluctant to use and transact with their service. In some countries, like in Brazil, banks have successfully expanded their outreach by hiring local "agents" or "correspondents" to offer their services. By using retail points as cash merchants (agent banking), banks, telecom companies, and other providers can offer saving services in a commercially viable way and at the same time, reduce fixed costs and encourage customers to use the service more often, thus providing access to additional revenue sources (Beck et al. , 2007). The use of bank agents has the potential to significantly increase financial access by poor and underserved populations to a range of formal financial services, including savings payments and transfers, and insurance (Bold, 2011). Agents may engage in different activities, depending on applicable regulation and the terms of the agency agreement. Some agents provide only cash-in/cash-out services (these agents are often called "cash merchants"). Some agents also enroll customers and provide a wider array of banking services.

Agency banking model has been adopted in Kenya in 2010 to contribute to increased access to banking services. Up to date, Equity bank has 152 Branches in Kenya with 7720 agents spread all over the country.

2.6.2 THEORY OF CUSTOMER SATISFACTION.

Many theories have been used to understand the process through which customers form satisfaction judgments. The heart of the satisfaction is the comparison of what was expected with the product or service performance. This process is traditionally known as confirmation /disconfirmation process. In this the customer forms expectations before purchasing a product than consumption and experience with product or service produces a level of perceived quality that is influenced by initial expectations. If performance exceeds expectations, satisfaction increases but at a decreasing rate. Satisfaction can also be determined by subjective (customer needs, emotions) and objective factors (product and service features).

Assimilation Theory

Assimilation theory is based on Festinger's (1957) dissonance theory. Dissonance theory posits that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. This view of the consumer post-usage evaluation was introduced into the satisfaction literature in the form of assimilation theory. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced. This theory is applied when determining accessibility of financial products. The financial products are presented in "customers mind" by the banks to be able to deliver best services that caters for customers expectations.

Contrast theory.

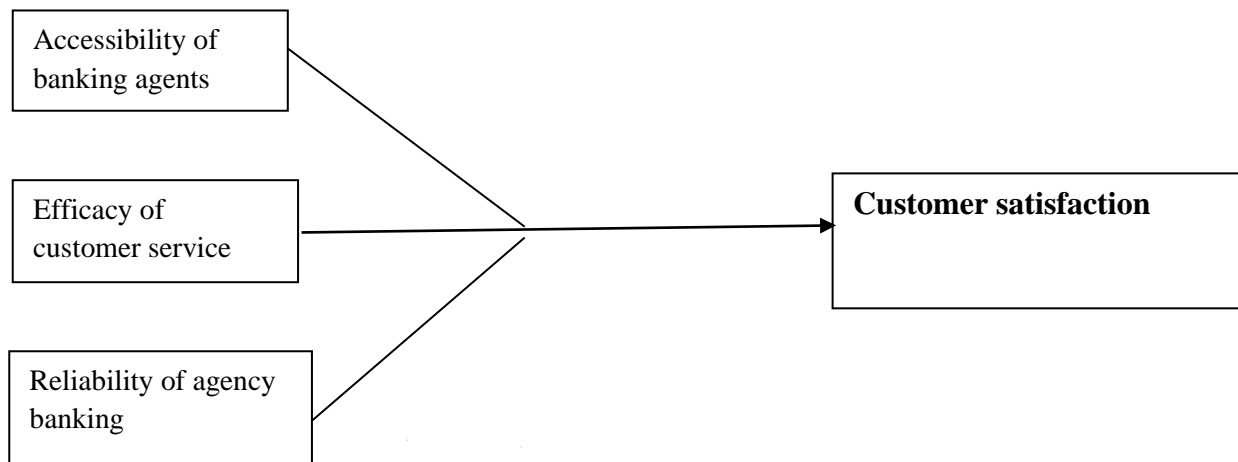
Dawes et al (1972) define contrast theory as the tendency to magnify the discrepancy between one's own attitudes and the attitudes represented by opinion statements. Contrast theory presents an alternative view of the consumer post-usage evaluation process than was presented in assimilation theory in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction. While assimilation theory posits that consumers will seek

to minimize the discrepancy between expectation and performance, contrast theory holds that a surprise effect occurs leading to the discrepancy being magnified or exaggerated. This theory applies mostly on reliability of financial products offered by agency banking. When customers experience incomplete transactions, they experience discrepancies in service delivery leading to dissatisfactions.

Cognitive dissonance theory.

Cognitive dissonance is an uncomfortable feeling caused by holding two contradictory ideas simultaneously. The theory of cognitive dissonance proposes that people have a motivational drive to reduce dissonance by changing their attitudes, beliefs, and behaviors, or by justifying or rationalizing them. The phenomenon of cognitive dissonance, originally stated by Festinger in 1957, has been quickly adopted by consumer behavior research. “ Described as a psychologically uncomfortable state that arises from the existence of contradictory (dissonant, non-fitting) relations among cognitive elements (Festinger 1957) cognitive dissonance revealed high exploratory power in explaining the state of discomfort buyers are often in after they made a purchase.

2.7. CONCEPTUAL FRAMEWORK.



2.8 SUMMARY OF LITERATURE REVIEW

This chapter has presented literature review on information from other researchers who have done research on similar areas. The chapter presents, introduction with emphasis on concept of customer satisfaction, that a customer develops norms for product performance based on product general experience rather than from brand' s performance, the regulatory framework of agency banking which covers the laws enacted since 2010 in regulating the sector, this chapter also looked into evaluation of agency models , theoretical framework models such as assimilation theory, contrast theory and cognitive dissonance theory have been discussed and the conceptual framework for the study illustrated.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

This chapter explains the methodology that was used in carrying out the research work. Crucial issues that were discussed in this chapter includes, research design, target population, sample size, data collection and techniques, questionnaires, data analysis techniques and ethical considerations.

3.2 RESEARCH DESIGN

Research design refers to the plan, and the structure of investigation employed to obtain relevant answers to research questions. This study involved a case study on equity bank of Kenya agents in Eldoret. Case study refers to an intensive investigation of an individual, institution or a phenomena. The study applied a descriptive research design. Descriptive research design is a systematic, empirical inquiry into which the researcher does not have direct control of independent variables as their manifestation has already occurred or because they are reflecting the state of happenings and qualify the obtained findings through the use of quantitative analysis (Mugenda and Mugenda 2003). Descriptive research is concerned with how, what is or what exists is related to some preceding event that has influenced or affected a present condition or event (Best, 1970). This is in line with the purpose of the study as it sought to investigate the factors influencing customer satisfaction with Equity bank Eldoret branch. The researcher preferred descriptive research design because the variables under study have already occurred and beyond control. Also this design gives this study the advantage of collecting original data for the purpose of describing a population which is too large to observe directly hence good for the purpose of generalization (Cohen, Manion and Morrison, 2000). Descriptive survey gathers data on a one-shot basis and hence is economical and efficient (Morrison,(1993). Descriptive survey is also compatible with questionnaire and interview schedule which the research employed in collecting data (Mugenda and Mugenda, 1999).

3.3 TARGET POPULATION

The study population comprised of 5 Equity agents each with an approximate Daily average of 30 customers served because they are in a highly populated. Therefore 5 equity agents together with 30 customers made as the target population of 150 respondents.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

According to Chandran (2004) sampling is the selection of a portion of population such that the selected portion represents the population adequately. The research employed stratified random sampling in selecting respondents. The population was segregated into several mutually exclusive subpopulations or strata herein referred to as Equity agents categories.

3.4.1 Sample size

The sample consisted of 5 agents with 150 respondents but only 132 respondents gave back their responses. The response rate was 88% which is adequate to carry an investigation.

3.4.2 Sampling Techniques

5 agents and 150 customers were selected using cluster sampling; a probability sampling method since the agents are located in different streets and rural areas. For every one agent selected, 30 customers that are served by the same agent were also selected. The customers were selected using convenience sampling technique, a nonprobability sampling method. Non-probability sampling is any sampling method where some elements of the population have no chance of selection, or where the probability of selection cannot be accurately determined. This strategy was chosen because the agents would only give questionnaires to customers who visit them within one week. The convenience sampling (sometimes known as accidental or opportunity sampling) used is a type of non-probability sampling which involves the samples being drawn from that part of the population which is close to hand. That is, a participant is selected because it is readily available and was convenient to be selected.

3.5 DATA COLLECTION INSTRUMENTS.

The researcher employed two data collecting methods in the study. These entailed

I. Researcher developed questionnaires, and

ii. Interview schedule.

In researching human beings, no single source of information can be trusted to provide a comprehensive perspective in any study program due to biasness and different human perspective. As a result it is imperative to use several methods of data collection to improve on the reliability and validity of the data collected (Smith, 1975;2005). Schofield and Anderson (1984) reports that using a combination of data sources and collection methods are a validating aspect which cross-checks the data. This use of combined data collection methods and sources such as interviews and questionnaires increases the validity and reliability of the information since the strength of one approach compensates for the weakness of another approach.

The main technique applied by the study was of the questionnaires which were issued to the respondents and given enough time to answer the questionnaires. Mugenda and Mugenda (2003) points out that questionnaire are easier to administer as compared to interview. They also promote confidentiality as the respondent identity is not indicated. Questionnaire technique was preferred because it covers a wide range of area and also it reaches many respondents at a cheaper cost. It also saves a lot of time.

3.6 DATA COLLECTION PROCEDURE.

The study involved preparation of a project proposal. Which was approved by the lecturer in charge. Then I proceeded to distribute the questionnaires to the selected agents who would give to the customers who would visit them. During data collection, every selected customer was given a questionnaire to fill and give back the forms to the agents in sealed envelopes for confidentiality. The researcher collected the forms after three days. Some questions aimed at measuring the expectation of the customers. These were statements that sought to describe how services at the agents should be like. The statements were coined in such a way that they express a desire of the respondents for a particular attribute of service quality. Other questions sought to measure perceptions. These were statements that are a description of particular service attributes at the agency for which respondents are expected to rank the statements according to how far they think these statements apply to the Equity bank agents in Eldoret Branch from their experience.

3.7 DATA ANALYSIS TECHNIQUES

Frequency counts of the responses were then obtained, to generate descriptive information about the respondents that participated in the study and to illustrate the general trend of findings on the various variables that were under investigation. This involved the use of percentages and tables because they help to summarize large quantities of data whilst making the report reader friendly (Mugenda And mugenda , 2003). The data from the interviews was carefully read. The responses were edited for grammatical correctness, coherence and precision and presented as quotations so as to triangulate the data obtained through the administration of the close ended instruments, which is qualitative in nature. The responses were organized; coded and analyzed using descriptive statistics (tables, frequencies, percentages).

3.8 ETHICAL CONSIDERATIONS

During this research process, the researcher upheld integrity and high moral standards. The researcher sought permission from the agents before distributing the questionnaires. The researcher kept time, respected the respondents' feedback and decision and treated the information given by the respondents with confidentiality.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 INTRODUCTION

This chapter includes data analysis presentation and interpretation. The chapter is presented in the following manner, characteristic of respondent by their background, agency services in terms of product reliability, agency services in terms of efficiency in customer delivery, accessibility of agency services and customer satisfaction with Equity bank of kenya agency banking.

4.2 BACKGROUND CHARACTERISTIC OF RESPONDENTS.

The study targeted a sample size Of 150 respondents in which 132 were returned making a response rate of 88% which is adequate to carry out an investigation and data analysis for this study; impact of agency banking on customer satisfaction .A case study of Equity bank agents in Eldoret town.

The study sought to examine the background information of respondents in terms of gender, education, age, marital status, client history and income level.

4.3. DISTRIBUTION OF RESPONDENTS BY GENDER.

Table 4.1: Distribution of Respondents by Gender.

GENDER	FREQUENCY	VALID PERCENTAGE	CUMALATIVE PERCENTAGE
FEMALE	83	63	63
MALE	49	37	100
TOTAL	132	100	

In gender characteristic it was found that the majority of respondents who accessed equity bank agents were females with a total of 83 respondents (63%) and the male were only 49 which is 37% . this would mean that women feel more satisfied with Agency Banking than men .

4.4. DISTRIBUTION OF RESPONDS BY AGE.

Table 4.2: Distribution of Responds by Age.

Age bracket	frequency	Valid percentage %	Cumulative percentage %
18-25	10	8	8
26-35	64	48	56
36-40	26	20	76
41-50	30	23	99
50 and above	2	1	100
Total	132	100	

The age distribution shows that those of age bracket 26-35 were majority with 64 respondents. This indicates that majority of young people feel more satisfied with agency banking services, people of 50 years and above having the least percentage.

4.5. DISTRIBUTION BY MARITAL STATUS

Table 4.3: Distribution by Marital Status

Marital status	frequency	Valid percentage	Cumulative percentage
Married	92	70	70
Single	40	30	100
Total	132	100	

The research distribution table on marital status show that 70% of respondents who used agency services were married. 30 % were single or unmarried. This shows married people prefer agency banking because it saves time and costs.

4.6. DISTRIBUTION BY EDUCATION LEVEL

Table 4.4: Distribution by Education Level

Education level	frequency	Valid percentage	Cumulative percentage
Certificate	4	3	3
Diploma	35	27	30
Degree	46	35	65
Tertiary	40	30	95
Others	7	5	100
Total	132	100	

The researcher also carried out an investigation on education level of customers. The table shows that 35% of users had a degree, they could be either undergraduates or graduates, 35 %had diploma. 30 Had a tertiary education level that is post graduate. Only 3 percent had certificates,

which could be primary, secondary or technical certificates. 5 percent confirmed they had other education level. This shows that most people who use agency services were educated means they understand the value of agency banking and are familiar with it.

4.7. DISTRIBUTION BY INCOME LEVELS.

Table 4.5: Distribution by Income Levels.

Salary range	Frequency	Valid percentage	Cumulative percentage
Less than 5000	40	30	30
5000-10000	7	5	35
10001-15000	35	27	62
15001-20000	12	9	71
20001-25000	31	23	94
25001-30000	7	6	100
Above 30001	132	100	

The income distribution table shows that most respondents were low income earners with less than 5000 rating 30% , filled by 27 percent of 10001-15000. Then 23%,9%,6% and 5%. This shows that people with very high incomes do not prefer using agency banking services, this could be because of Agent float problems.

4.8. CLIENT' S HISTORY DISTRIBUTION

Table 4.6: Client' s History Distribution

Months	Frequency	Valid percent	Cumulative percentage
1-6	26	20	20
7-12	52	39	59
13-18	10	8	67
19-24	2	2	68
31-36	30	23	92
Over 37 months	12	8	100
Total	132	100	

The table shows that new entrants to Equity bank prefer using agent services. This is because

A total of 39 percent of clients history between 7-12 months ranks highest and also those new with 1-6 months rates at 20 %.however these with over 37 months are really few with the least rating of 8%. This could be because most customers desire more financial products like loans which may not be offered at bank agents.

4.9 PRODUCT RELIABILITY ON CUSTOMER SATISFACTION BY AGENCY BANKING

Table 4.7: Distribution on Product Reliability

Item	Frequency	Valid percentage	Cumulative percentage
Excellent	52	27	27
Good	36	39	66

Very satisfactory	32	24	91
Less satisfactory	12	9	100
Total	132	100	

The table shows that most people affirmed that the reliability of agency services was good at 39 %. However this is weak rating and it could be as a result of customers complaints about agents floats, network failures and incomplete transactions. However 27%found the reliability excellent, 24 %very satisfactory, with only 9% finding it less satisfactory. This shows that the customers are quite satisfied with the reliability of agency services and a few are dissatisfied.

4.10 EFFICIENCY OF AGENCY CUSTOMER SERVICES ON CUSTOMER SATISFACTION.

Table 4.8: Distribution of Efficacy Agency Services

Item	frequency	Valid percentage	Cumulative percentage
Super-efficient	74	56	56
Moderate efficiency	28	21	72
Efficient	18	14	91
Less efficient	12	9	100
Total	132	100	

This received a very strong response that 56% found the customer services supper. Efficient, 21 % moderate efficiency, 14 %efficient and only 9% rating the services less efficient.

4.10 DISTRIBUTION ON ACCESSIBILITY OF AGENCY SERVICES

Table 4.91; Distribution on Accessibility of Agency Services

Item	frequency	Valid percentage	Cumulative percentage
Easily accessible	83	63	63

Hardly accessible	9	7	70
Accessible	40	30	100
Not accessible	0	0	100
Total	132	100	

Accessibility received the highest positive correlation with a response rate of 63% rating accessibility of agency banking services easily accessible. This could be as a result of evenly distributed Agent outlets to commercial stores and retail outlets which are easily accessible to customers even in remote areas. Only 7% rated them hardly accessible, 30% confirmed them accessible and nobody said they were not accessible.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS.

5.1. CONCLUSIONS

From our research findings we can finally conclude that the highest level of customer satisfaction is derived from easy accessibility of agency banking services. Therefore the level of accessibility impact the customer satisfaction in a direct proportion IE the easy the accessibility the higher the satisfaction.

Also, product reliability cannot be used to measure customer satisfaction because it has a weak rating of God, with 39% of respondents. This could as a result of poor network systems, mismanagement of Agent float, incomplete transactions, erroneous entries and weak service recovery paradox.

Finally the customers showed a positive attitude towards efficiency of customer services by bank agents, with a second place rating of 56% of respondents finding it super efficient. The banking industry has adopted this strategy to increase its financial transactions and reach out to low income earners. However, customer satisfaction is very important and in can only be indicated through consistency, belonging and increased number of transactions. The bank therefore makes new changes through the use of advanced technology to ensure accessibility of financial products, efficiency of services and reliability of financial products.

5.2. RECOMMENDATIONS

With regards to the conclusion above I hereby recommend Equity bank to encourage their bank agents to market the product and services of agency.

The study recommends Equity bank to modernize and stabilize the technology to curb the issues of network failures. The government through central bank of Kenya also needs to put in place regulations' that will effectively ensure customer security and confidentiality at the agent location. The Equity bank should continue to sensitize customers and the wider public on the use of agency banking and its benefits. Regular inspection should be initiated and sustained by the bank to minimize fraud and mismanagement of agent floats.

I also suggest further studies on network system that will improve the network to prevent incomplete transactions and failures.

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APPENDICES

Appendix 1: Questionnaire Cover Letter

QUESTIONNAIRES ON: IMPACT OF AGENCY BANKING ON CUSTOMER SATISFACTION.

Dear respondent,

I am Kariuki Nyakio Maryfaith, a bachelor student of Moi University. I am doing a survey on impact of Agency banking on customer satisfaction as part of partial fulfillment for requirement of achievement of my degree; there I will be grateful if you help me with filling out this questionnaire. Most of the questionnaire have multiple choices and easy to answer. Please reply as soon as possible. Every response is really important.

Thank you in advance.

Yours faithfully,

Kariuki Nyakio Mary faith

Instructions: Please respond to the following questions and where applicable, mark the relevant box with a tick (√)

Confidentiality: The responses you provide will be strictly confidential. No reference will be made to any individual(s) in the report of the study.

PART A: BACKGROUND INFORMATION

Respondents Profile

1. What is your gender?

Male Female

1. In which of the following age brackets do you belong?

Below 20 years 21-30 years 31-40 years

41-50 years above 50 years

3. What is your education level (state the highest level?)

degree Certificate Diploma

tertiary secondary others

4. What is your marital status?

Married single

5. What is your income levels?

less than 5000 5001-10000 10001-20000

20001-25000 25001-30000 above 300000

6. For how long have you been equity bank agent client? answer in months.

PART B: Tick where necessary

1. How can you rate the reliability of agency banking products?

Excellent []

Good []

Very satisfactory []

Less satisfactory []

2. How efficient do you find agency banking customer services?

Supper efficient []

Moderate efficient []

Efficient []

Less-efficient []

3. How accessible are the agency services?

Easily accessible []

Hardly accessible []

Accessible []

Not accessible []

Thank you for your response