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Factors Influencing the Use of Agency Banking among Entrepreneurs: A Survey of Businesses in West Pokot Sub-County

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Abstract:
Over the years the banks have faced challenges in trying to bank the unreached especially in rural areas. Micro Finance Institutions have been handy in mobilizing savings from the people in rural areas and ensuring that they can access credit whenever there is need. The success of micro finance institutions made the banks be innovative and try to tap into this market segment through appointing third parties to provide the banking services on their behalf. This study aimed to look into factors influencing the use of agency banking among entrepreneurs in West Pokot sub-county. It concentrated on all businesses- both small and large. West Pokot sub-county attracted just a few agent bankers who offer the banking services to clients. The sampling method used was convenience sampling to pick a total of 50 entrepreneurs from the seven major market centres spread across West Pokot sub-county. Data was collected by means of questionnaires and mainly analyzed by use of frequencies, tabulation and percentages. Pearson's chi square results (p = 0.344) showed that there was no significant relationship between education and use of agency banking services. Costs were found to affect the use of agency banking. It also found that awareness levels about agent banking positively influenced the use of agent banking. Businesses were however found not able to access all the banking services at the agents.

1. Introduction

1.1. Background of the Study

Agent-banking is an arrangement by which licensed financial institutions engage third parties to offer delegated banking services on their behalf such as accepting deposits and withdrawals, checking account balance among others (Getanga, 2010). An agency bank is a company/organization that acts in some capacity on behalf of another bank, thus cannot accept deposits or extend loans in its own name; it acts as agent for the parent bank (Getanga, 2010). Agency banking in Kenya is governed by the Prudential Guideline on Agent Banking issued by the Central Bank of Kenya (CBK) and which became operational from May, 1st 2010. In February 2011, the Central Bank of Kenya released regulations allowing banks to offer services through third party agents approved by the CBK (www.centralbank.go.ke). Agency banking has been practiced in a number of countries such as Brazil, Columbia, Pakistan, South Africa and Indonesia. The use of the agency banking model by banks has continued to improve access of banking services since its launch in 2010. As at 30th June 2013, CBK had authorized 13 commercial banks to offer banking services through third parties-agents (www.centralbank.go.ke).

Banking agencies are the backbone of money banking since they perform transactions over a bank device, to enable clients to convert cash into electronic money and vice versa. Money can be sent over their banking agent, clients will have to visit a branch, or banking agent. Especially in remote and rural locations, where cash is still the most important way to pay and transact, a banking service is dependent on banking agents to enable clients to effectively use the service (Podpiera, 2008).

An appropriate banking environment is like a key pillar and an enabler of economic growth (Koivu 2002). The banking industry in Kenya has found itself unable to resist technological developments more so in an environment with continuously emerging information driven economy. Banking practices have been modernized to provide convenient accessibility by individuals to their finances.

Banking agencies help financial institutions to divert existing clients from crowded branches providing a "complementary", often more convenient channel of accessing bank services. Kitaka, 2001 asserts that, reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agencies that piggy back on existing retail infrastructure and lower set up and running cost can play a vital role in offering many low income people their first time access to a range of financial services. Also, low income clients often feel more comfortable banking at their local store than walking into a marble branch (Adiera, 1995)

Jappeli & Pangano (2001) indicated that one of the primary impediments to providing financial services to the poor through branches and other bank-based delivery channels is the high costs inherent in these traditional banking methods. The amount of money expended by financial agent banks to serve a poor customer with a small balance and conducting small transactions is simply too great to make such accounts viable. In addition, when financial agent banks do not have branches that are close to the customer, the customer is less likely to use and transact with their service. However, we see the emergence of new delivery models as a way to drastically change the economics of banking the poor. By using retail points as cash merchants (defined here as agent banking), and other providers can offer saving services in a commercially viable way by reducing fixed costs and encouraging entrepreneurs to use the service more often, thereby providing access to additional revenue sources.

Banks are now providing special services, value-added services, by way of increasing convenience, tapping a broader market, increasing service channels and lowering cost in accessing their services. Previously, customers had to travel to branches to access services like loan application, account balance and statement, pay bills and funds transfer. This is an inconvenience since customers have to queue after travelling. This costs them money and time hence extra cost to access banking services. When there is a great demand for these services like school opening times, month end and other prime times the long queues lead to disservice to customers, who in today's Kenyan market have a choice of going to competitors reducing revenues therefore taking away the business. With every other bank seeking to compete in the lines of convenience, speed and lower cost, enhanced up to-date information provision, Banks have to find a way to improve its service delivery for its customers (Venkatesh, 2003).

In April 28th 2011 Equity Bank unveiled an integrated financial system aimed at widening financial access and financial inclusion. The agency banking retail approach is designed to help banks increase their outreach without incurring additional costs of setting up. "According to James Mwangi CEO Equity bank, through agency model financial inclusivity has rose from 8% to 35**%** equity bank believes that its big competitor is the mattress and that is why it has adopted a model that goes straight to the peoples' doorstep to persuade them to deposit money into banks." (Korir, 2012).

Agency banking has helped to bring some banking services to rural and suburban areas. The prohibitive costs of setting up branches and ATMs vis-à-vis the expected returns have been a disincentive for banks to roll out their services in these areas, but agency banking has provided an avenue to these markets at limited cost. Although some rural customers still have to travel some distance to branches for services that agents can't deliver, basic transactions are far more readily available. By its nature, the model was intended to take banking to the low income and rural populations. This places outlets in areas where insecurity is a concern. They lack the sophisticated security measures of the bank branch (CCTV, armed guards), large deposits (large here means over KES50, 000) are in some cases turned away. The outlets also operate beyond standard bank opening hours, further exacerbating the security risk. Other problems include: lack of consumer information on agency banking, for example on charges, lack of sufficient float, image problems (shabby shops may turn off customers); system collapse; equipment breakdown and incompetent agents. Despite the obstacles, agency banking is expected to gain in importance as banks roll out more products.

According to information on Equity bank website, agency banking is done in several ways such as; banking for the public through mobile phone, through ATM link and through MPESA. The 8.5 million accounts held by equity bank are linked to an account holder's Safaricom number to make it easy for them to deposit and withdraw money from their accounts.

It can be very difficult to ensure agent banking systems work in the very remote areas of northern Kenya. Equity Bank faced a multitude of challenges when trying to ensure agents could distribute the HSNP payments. For example, their POS devices needed to be able to work off-line in remote villages where electrical power and wireless signals were not available. Rugged geography, lawlessness, nomadic beneficiaries, and distrust among ethnic groups served to complicate payment operations. Equity Bank also realised that agents who are skilled enough to implement the payment system may also be savvy enough to manipulate it: monitoring agents is a huge challenge in such remote areas. Added to this were beneficiaries whose fingerprints could not be read or whose nomadic lifestyle meant that they were not aware of the payment schedule. All of these factors have made the operating costs of having agents in these areas very high, potentially eroding Equity Bank's interest in maintaining these structures (CGAP, 2011).

1.2. Statement of the Problem

A few years ago access to banks was not an easy thing for the common man in Kenya as banking sector was majorly targeting working class and the middle class with more disposable income (Korir, 2012). This scenario existed till the formation of Equity bank in Kenya, which majorly targeted low income and the unbanked people. This approach adopted by equity bank changed the banking system in Kenya and many banks adopted the same strategy and expanded the market share (Equitybank.co.ke) To move closer and access many customers, commercial banks started to allow other commercial outlets like shops and supermarkets to act in their capacity as formal banks, and this was formally launched by the Central Bank of Kenya about three years ago, but just a handful of banks have so far taken up the option (Yobes et al, 2012).

The banking agency selection criteria are showing some weaknesses, and are now re-organizing the demand of agents in order to favour cash heavy operations in order to meet this demand. Keen to take advantage of the cost saving and accessibility brought about by the agency banking model, Kenyan financial institutions have embarked on an aggressive entry into the segment. But many are finding that agents lack capacity to handle large transactions of cash and under-spend on security measures. So far, Equity Bank (Equity Mashinani), Post bank (BenkiYangu), Co-Op Bank (co-op kwa-jirani) and Kenya Commercial Bank(KCB Mtaani) have

launched forays into the segment, with some already claiming that identifying agencies that are able to provide cash to entrepreneurs is becoming an industry challenge. Recent data from the Central Bank of Kenya (CBK) reveals that the regulator has licensed over 10,000 establishments to act as agent banks, with Equity claiming to have outsourced some of its operations to 5,000 active outlets. CBK data shows 8,809 agency outlets were opened in 2010, most of which are being operated by Equity and Co-operative banks. KCB hopes to open about 2,500 agency branches this year, while Post bank hopes to open 500. But identifying the agents who are capable of handling cash transactions efficiently has been a challenge for the institutions, with entrepreneurs reporting that cash is often scarce even as rising fears of security mount at the outlets (www.centralbank.go.ke)
Currently, over 45,000 outlets around the country are enrolled as bank money transfer agents, leaving banks with a smaller pool of businesses from which they can pick the cash-rich operations they need to roll out agency banking model. Some banks, like Co-operative, have instead opted to partner with cash-rich Saccos in order to get around this issue. But have all businesses especially in rural areas embraced this convenience way to bank? This necessitated the researcher to conduct this study to look into factors influencing the uptake of agency banking among entrepreneurs in West Pokot County.

1.3. Research Objectives

The general objective of this study was to find out the factors that influence the use of agency banking among entrepreneurs in West Pokot.
The specific objectives were;

1. To establish the influence of costs of transactions on the use of agency banking among entrepreneurs in West Pokot Sub County.
2. To find out the influence of education level on use of agency banking among entrepreneurs in West Pokot Sub County.
3. To find out the extent to which awareness affects use of agency banking among entrepreneurs in West Pokot Sub county.

1.4. Research Questions

The research seeks to answer the following questions;

1. How do costs of transaction influence use of agency banking among entrepreneurs?
2. How does level of education influence the use of agency banking among entrepreneurs?
3. To what extent does awareness affect use of agency banking among entrepreneurs in West Pokot Sub-County?

1.5. Significance of Study

The findings of this study may be useful to variety of the population. Firstly, entrepreneurs may use the findings to acquaint themselves on the many avenues and platforms that agency banking affords them and their acceptance can help to reveal the underlying logic of practitioners' strategic decisions in prudent management of their businesses. Secondly, to managers of the banking institutions so that they can improve or expand their services to the population. Thirdly to the government so that it can provide the required regulations and other interventions that are necessary to ensure smooth operations for all concerned parties. Scholars and researchers may wish to use the findings and carry out further research.

1.6. Scope of the Study

The study was set to find out the factors that affect the use of agency banking. The area of study was West-Pokot sub county. This is a semi arid area where there are no bank branches that offer banking services. The banking services are offered by agents and therefore it was important to find-out if the population was using agency banking and to study the factors affecting its use.

1.7. Limitation of the Study

West Pokot Sub County being predominantly rural, the findings of the study can only be duplicated in other parts of the country with caution and cannot be generalized. The study was expected to be constrained by financial resources.

2. Literature Review

2.1. Introduction

This chapter reviews related information concerning agency banking. The chapter starts by discussing the influence of policy and regulation, then discusses influence of education level on uptake of agency banking among entrepreneurs it also discusses the extent to which the cost of operation influences uptake of agency banking. It finally reviews the key security concerns regarding agency banking and their influence on agency banking uptake among entrepreneurs.

2.2. Theoretical Literature Review

2.2.1. Innovation Diffusion Theory

This theory helps to explain consumer behaviour towards new technology it was advanced by Rogers, (1995). Innovation is defined as an idea, practice or object that is perceived as new by an individual or another unit of adoption, while diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1995). Innovation diffusion is achieved by how a social system accepts and begins to use an idea or a technology- adoption. Rogers then stated the characteristics of innovation: Compatibility: the extent to which adopting the innovation is compatible with what people do; Trialability: the degree to which an innovation may be experimented with on a limited basis before making an adoption (or rejection) decision; and Observability; the degree to which the results of an innovation are visible to others; Complexity: the degree to which an innovation is perceived as relatively difficult to understand and use; Relative Advantage: the degree to which the innovation is perceived as being better than the practice it supersedes;

2.2.2. Technology Acceptance Model

It was proposed by Davis (1989). This theory has been tested and applied to predict future consumer behaviour in various fields. The Technology Acceptance Model (TAM) is established on the premises that the contracts, perceived usefulness and perceived ease of use are fundamental determinants of system adoption and use (Davis, 1989). These two create a favorable intentions and willingness toward using the IT that will later affect its use. Perceived usefulness is said to be the degree to which person thinks that using a particular system will enhance his or her performance. Whereas perceived ease of use is the degree to which a person believes that using a particular system will be free of effort (Davis, 1989). TAM has received praises from earlier researchers on its contribution towards our understanding into consumer behaviour. Throughout the years, TAM has received extensive empirical support through validations, applications and replications for its power to predict use of information systems (Lu et al, 2003). TAM has proven to be a useful theoretical model in helping understand and explain user behaviour in information system implementation (Legris, et al. 2003).
This theory can be applied for the purposes of this research project to help us understand the factors affecting the uptake of agency banking among entrepreneurs in West Pokot sub-county. It will help us be able to find reasons as to why entrepreneurs still have to go to Kitale town, wait in long queues in the banking hall for banking services.

2.3. Influence of Education Level on Agency Banking

The rapid development of agency banking has revolutionized the financial industry globally. Studies have shown the usefulness of agency banking in facilitating the financial transactions between banks and their customers (Kleijnenetal., 2004; Luarnand Lin, 2005;and Mattila, 2003).
Based on previous research work, an educated community is better at adopting new mobile banking technologies. Rapid changes in the financial services environment; increased competition by new players from non-banking sector, product innovations, globalization and technological advancement have led to a market situation where competition among customers is intense. In order to rise to the challenges, players in the industry are even more interested to enhance their understanding of consumer behavior patterns (Mattila, 2003).
The newly emerged mobile banking services represent an innovation where both intangible service and an innovative medium of service delivery employing high technology are present. Thus, concepts of innovation and diffusion of innovation are even more intricate technology and service aspects have an effect on the characteristics of agency banking services (Mohr, 2001). Traditionally research relating to the customer adoption of innovation has tended to concentrate on socio-demographic and psychographic attributes of potential adopters.
Studies have shown that most of electronic (Internet) banking users have traditionally had university level education and higher professions (Jayawardhena & Foley, 2000). A study they did found out that people who have adopted technology enabled services like mobile phones and ATMs are more open and eager to adopt agency financial services (AFS). On the contrary, the villagers who had never used an ATM or a mobile phone were found to be reluctant to make financial transaction through mobile phones. This clearly showed that lack of technology readiness among the less educated rural population would be a barrier towards ensuring uptake of Agency Services.
Laforet and Li (2005) found out that in China, the lack of understanding of the concepts and benefits was a main barrier to consumers using mobile banking. Subsequently, users of mobile banking were not intended to be highly educated and were typically younger people in China. This was in contrast to the situation in the western countries as discussed by Karjaluoto, Mattila, and Pento, (2002). The Chinese are used to carrying cash, and have little confidence in traditional financial management. Compared to other Asian consumers, Chinese consumers seem to be more traditional and less affected by new technology advancements. Heinonen (2004) & Forman and Sriram (1991) found that some customers simply prefer to deal directly with a bank clerk instead of utilizing “arms-length technology” (e.g. mobile banking).The examples tend to show that education level of consumers has a bearing on their adoption of new technology, agency banking being one of them. The extent to which education level influence the use of agency banking in Kenya is however not quite clear given that agency banking is a recent innovation in Kenya.

2.4. Influence of Cost of Operation on Agency Banking

Financial institutions, which have had difficulty providing profitable services through traditional channels to poor clients, see Agency financial services (AFS) as a form of “branchless banking”, which lowers the costs involved in serving customers (Ivatury & Mas, 2008). Technological development has provided opportunities for service providers to develop their services and offer customers more flexibility. As a consequence, banks have launched multiple service access methods via new delivery channels like ATM, internet and mobile phone (Laukkanen & Pasanen, 2007). Low-cost banking can bring into its fold a considerable group of consumers who formerly could be served only at too high a cost (Datta, Pasa,&Schnitker,2001). However, studies have shown that there have been bottlenecks in the rate of adoption of MFS in various parts of the world.

One issue driving future agency banking is the cost efficiency pressures from supply side. Payment transaction costs vary. Quite often wireless capability is built into financial institution's software platform, leaving maintenance and upgrades as the only added costs (Mattilaand Pento2002;McCall,2002). European IT consultants, International Data Corporation, expect agency banking to be the fastest growing sector of total information technology spending on electronic banking, with a 1999 to 2003 compound annual growth rate of 129% (West,2001).

Relative advantage is concerned with the degree to which an innovation is perceived as being better than the idea it supersedes. The degree of relative advantage is often expressed as economic profitability, social prestige, and savings in time and effort, the immediacy of the reward or as a decrease of discomfort (Rogers, 1995).

Various studies have been conducted to extend the base technology acceptance model (TAM) as well as other extended models of TAM by testing the significance of different constructs and antecedents. For example, perceived financial cost, system quality and social influence had been added to the original TAM constructs and were found to be positively associated with consumer intentions to use mobile banking services (Kleijnen, et al., 2004). Other studies repeatedly listed mobile device attributes like tiny displays, slow data connection, weak usability, and associated cost as inhibitors of mobile banking services (Laukkanen & Pasanen, 2007; Mallat,Rossi, &Tuunainen,2004).

In their studies in India, Rajanish & Sujoy (2011) found out that the cost of availing the Agency financial services was a common matter of concern among the villagers who were interviewed. People wanted to know whether they would need to purchase a new hand set for using Agency financial services (AFS) and were also eager to know the cost of transaction for availing this service. People were ready to pay a small amount (in the range of one rupee to two rupees) per transaction for using AFS. They were aware and appreciated the fact that using AFS would save them a lot of time, effort and money that they currently spent for accessing banking and financial services through the existing channels of delivery. Hence, cost of the AFS is an important factor that would determine the adoption of the services among the rural population. Given the fact that majority of the rural population falls within the lower income group, the total cost of availing the services need to be minimized for ensuring faster adoption.

According to Nah, Siau and Sheng (2005), the cost of mobile devices and mobile services was identified as an investment concern. Luarn and Lin (2004) argued that financial cost was one of the greatest concerns in adoption of Agency banking services. Furthermore, Ramand Sheth (1987; 1989) stated that it was not viable for consumers to change their way of performing their banking tasks without offering a strong performance-to-price advantage. The price of banking services may have an opposite effect with respect to the adoption of Agency banking, which may result in consumers preferring the traditional banking services (Laukkanen et al, 2007). Users agree to pay a reasonable fee to use a service. However, this would depend on the banking and service provider. Provision of a lower service cost is a major benefit for performing banking transaction functions through agent; so the "value for money" barrier may be another factor influencing the uptake of agency banking services (Laukkanen et al, 2007).

2.5. Awareness of Existence of the Agent Banking Services

People must be made aware about the existence of a product in order for them to make informed decisions about taking that particular product or service. A survey on the Nigerian market by the IFC (2011), showed 62 percent of customers had received information about m-banking directly from their banks meaning that banks are successfully marketing m-banking as an additional channel to the customers.

Marketing via existing relationships was clearly more effective than other channels, such as mass media. For instance, Mass media (18%), use of an agent (7%), directly from bank (62%), SMS from operator (2%) and Friends/family (20 %). Communication platforms also showed the preferred ways respondents prefer to learn about m-money services in the future as via e-mail (28 percent), person-to-person approaches (27 percent), and assorted mass media approaches (20 percent). About 7 percent preferred SMS advertising (IFC, 2011). Moreover, establishing top-of-mind awareness of the new service is only half the battle. Retail cash-in/out merchants perform the all-important customer-facing functions that determine a deployment's success or failure rates. As mobile money is an intangible service in a store or market that is cluttered with physical goods, merchant s need to actively promote mobile money or customers won't know it is available. In addition, new customers may require some initial handholding until they are comfortable using the service. Retail merchants must therefore be willing to spend time performing first-line customer care.

In Kenya, banks carryout their awareness campaigns through; road shows, where convoy of marketers move round towns in convoys as they tell people about their services- KCB has done well with making the public aware about its "bankika" service; Electronic media has played a vital role in making consumers awareness; Print media has also been used; Banks websites has a lot of information about their services; Short text messages are also sent to mobile phone subscribers to inform them about services; And the use of social media have played a vital role in ensuring consumers are aware. But too the agents themselves have also taken a huge part in ensuring that consumers are able to get information about services by especially giving brochures and posters. This helps in ensuring the infiltration of the information.

The technical assistance however, to various program entities can support the establishment and deployment of a mobile money public awareness campaign using a variety of media and outreach methods. The Market activation and product or service awareness will focus on the generic benefits and security of mobile money and explain the basic concepts and usage. The campaign would be part of broader financial literacy initiatives and incorporated into ongoing training and outreach initiatives (USAID, 2011).

2.6. Conceptual Framework

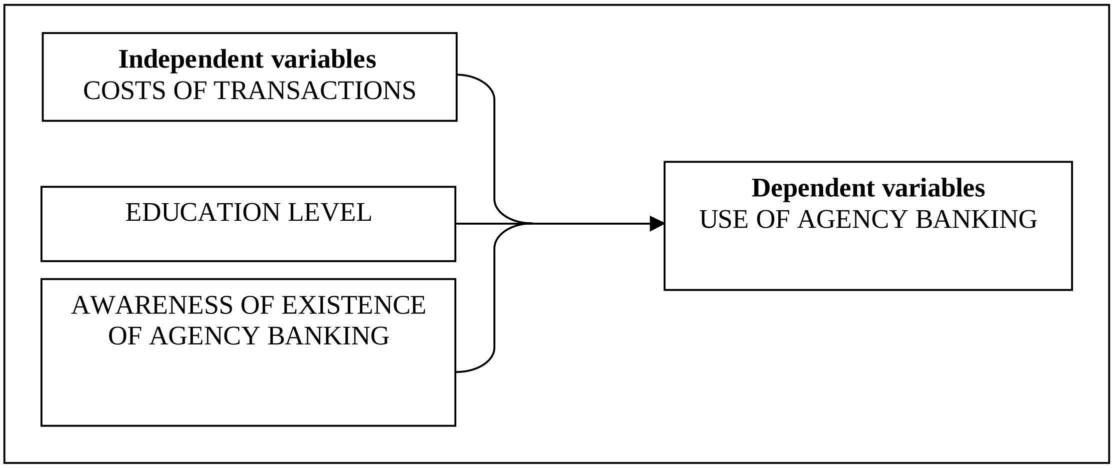

Figure 1: Conceptual Framework

This conceptual framework shows the independent variables as education level, cost of transactions and the extent of awareness. That for agency banking to take place, it is dependent on the factors stated above. All these independent variables play a big role on influencing the use of agency banking.

2.7. Summary

Researches argued that financial cost was one of the greatest concerns in adoption of Agency banking services. Studies showed that the usefulness of agency banking in facilitating the financial transactions between banks and their customers. Research has also shown that the level of awareness about the existence of a product in order for them to make informed decisions about taking that particular product or service. Most empirical studies about agency banking have been done in the banking sector. Researches have on the factors influencing agency banking uptake among entrepreneurs has not been carried out.

2.8. Research Gap

A lot of researches have been carried out generally on the banking sector. Out of this none has been carried out on the influencing factors to use of agency banking among entrepreneurs. This research aims to fill this research gap.

3. Research Methodology

3.1. Introduction

Khamadi (1992) defines methodology as an operational framework within which the facts are placed so that their meaning may be seen more and more clearly. Methodology describes how a project is organized, and the order of jobs is done and the interfaces between them.

This chapter outlines the methodology the researcher used in deciding on the study sample. It looked at the research design, described the study population, sampling procedures and data collection instruments. It further described the reliability and validity of data collection instruments and the method that was used to analyze data.

3.2. Research Design

A survey research design involves a smaller group of respondents that can be reached fully (Sarah, 2012). A survey design was used in order to get an in-depth understanding of factors influencing agency banking among entrepreneurs. For purposes of obtaining adequate and relevant information in a short time, this study was cross-sectional in nature where a survey was carried out (Cooper and Emory, 1995).

3.3. Target Population

Target population refers to the one which a researcher wants to generalize the results of the study, (Mugenda and Mugenda, 1999). The target population of this study was all businesses established in the market centres in West Pokot sub-county. Both old and new business ventures were under this study. To obtain effective results for the study, a census of all businesses in the market centers West Pokot was conducted. Data was collected mainly from the business owners.

3.4. Sampling technique

The sampling technique used was convenience sampling where businesses in the market centres in West Pokot sub-county were selected. This non-probability sampling method is used when there are only a few available members of the target population who can become the participants in the survey (Sarah, 2012). This method purposely used so as to ensure that only businesses that have bank accounts are selected. Convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth (Sarah, 2012). This non-probability method is often used during preliminary research efforts to get a gross estimate of the results, without incurring the cost or time required to select a random sample. The method was appropriate because West Pokot sub-county is mostly remote and access to banking agents is limited apart from the main market centres. The table below shows sample in West-Pokot sub-county.

Centre	Murkujit	Kongelai	Cheperaria	Makutano	Kapenguria	Chepyao
Sample	7	5	10	10	13	5

Table 1: Main market centers in west Pokot sub-county and samples picked

3.5. Data Collection Instruments

The study used primary data obtained through open and closed-ended questionnaires. The aim of the questionnaire was to gather information about the businesses. The persons' to fill-in the questionnaire were the owners of the businesses or the managers. The study also recognized the fact that most businesses were small in size. The questionnaire was self administered through drop and pick-later method. In some cases, a period was agreed on when to collect the filled in questionnaires. Some questionnaires were filled-in through interviews based on the questions.

3.6. Validity and Reliability of data Collection Instruments

The validity of instrument is the extent to which it does measure what it is supposed to measure (Coolican, 1996). Mugenda and Mugenda (2003) further affirm that, validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the variables of the study. The research instrument was validated for content and face validity. To ascertain content validity, the researcher consulted internal control experts (supervisor) in business research methods field to review the instrument for content coverage. As regards to the face validity, the supervisor was requested to give his subjective evaluation as to whether the research instrument was appropriate.

Reliability can be explained as the ability of a research instrument to yield consistent results or data after repeated trials (Mugenda and Mugenda, 2003). In this study, internal consistency method will be used for Likert items. Mugenda and Mugenda (2003), further have provided an alpha score of 0.80 to be satisfactory for reliability tests. The test of reliability was calculated using the SPSS (Statistical Package for Social Science). A pre-test study also helped to ascertain the level of consistent results through repeated trials.

3.7. Data Collection Procedures

The questionnaire was the method of data collection used. The questionnaire was used because it gives respondents adequate time to provide well thought out responses on items and enables large samples to be covered within a short time Feverman (1997). The questionnaires were administered using the drop and pick later method. The questionnaires were self administered. However, interviews based on the questionnaires were conducted mainly to explain concepts on questionnaires that were not understood by some respondents and to clarify on responses.

3.8. Data Analysis

Data analysis is examining what has been collected in a research and making deductions and references Kombo (2004). The data so analyzed seeks to fulfil research objectives and provide answers to research objectives (Bryman and Cramer, 1997). Quantitative data analyses techniques were used such as the use of Microsoft Excel and Statistical Package for Social Sciences to present descriptive statistics data into frequencies distributions, tabulation and percentages. Information from open-ended questions were carefully selected and categorized accordingly to themes and issues to reflect views of the respondents that emerged from the field. Pearson's chi-square test was used to find the correlation between education levels and the use of agency banking.

4. Research Findings and Discussion

4.1. Introduction

This chapter analyses data obtained from the respondents. The researcher sampled out 50 businesses in total using. Data was successfully obtained from 31 respondents out of 50 questionnaires distributed. This transforms to a response rate of 62%. The researcher targeted the business owners or the managers. The questionnaire return rate is as shown in the table below.

Centre	Murkujit	Kongelai	Cheperaria	Makutano	Kapenguria	Chepyao
Returned	2	3	7	8	9	2
Percentage	28.6	60	70	80	69.2	40

Table 2: Questionnaire return rate

4.2. Findings Based on Objectives

4.2.1. Influence of Cost of Transactions on the Use of Agency Banking

Respondents were asked if the cost of transactions affect the use of agency banking. 58% of the respondents were not keen on the costs incurred on transactions such as costs of withdrawing and transfer of funds. The respondents were only interested with the convenience of accessing the banking services from a “stone-throw” distance. 42% of the respondents were concerned about the costs, however, they thought that compared to time consumed and costs incurred travelling to Kitale town for such services then, it is cheaper to transact through an agent banker.

Category	Frequency	Percent
No	18	58.0
Yes	13	42.0
Total	31	100.0

Table 3: Influence of transaction costs

4.2.2. Influence of Education Level on Use of Agency Banking

The respondents were asked if the agreed that the level of education affects the use of agency banking. The levels of education were classified as either primary, secondary or tertiary. Provision for ‘others’ was made for those without the indicated levels of education. 19.35% of the respondents had primary level of education. 48.39% had attained secondary education and 32.26% had attained tertiary education. This is shown in the table below.

Education level	Frequency	Percent
Primary	6	19.35
Secondary	15	48.39
Tertiary	10	32.26
Total	31	100.00

Table 4: Education level

Respondents were also asked the extent to which they agree level of education influence use of agent banking. The responses were as shown in the table 5.

Category	Frequency	Percent
Strongly agree	2	6.45
Agree	0	0
Neutral	5	16.13
Disagree	14	45.16
Strongly disagree	10	32.26
Total	31	100.0

Table 5: Extent of education level and use of agency baking

The table above shows that the show that a large proportion of respondents disagreed (45.16%) and strongly disagreed (32.26%) that the level of education influence the use of agency banking. 5% of the respondents were neutral. In deed education plays an important role in terms of helping the population to understand a lot of issues. The respondents insisted that it is the agents who do all the work for them by use of POS- point of sale equipment to ensure transactions take place. They felt that “everyone” in the locality is using the agency banking services.

4.2.2.1. Chi-square test on education level and use of agency banking

Chi-square test results ($\chi^2 = 2.133, p = 0.344$) in Table 6 below indicate that there was no statistically significant relationship between education level and the use of agency banking accrued since p>0.05 at 95% confidence level. It was therefore concluded that education level does not have a significant contribution to the use of agency banking services. This further confirmed the findings in 4.2.2 above.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.133[a]	2	.344
Likelihood Ratio	2.165	2	.339
N of Valid Cases	31		

Table 6: Chi-Square Tests for Relationship between education level and the use of agency banking
2 cells (33.3%) have expected count less than 5. The minimum expected count is 3.00.

4.2.3. Awareness on Use of Agency Banking

87.1% of the respondents agreed to a very great extent that awareness created about the existence of agency banking influenced their use of the services while 12.9% said awareness influenced their use of agency banking to a lesser extent. This is shown in the table below.

Likert item	Frequency	Percent
Very great extent	27	87.1
Great extent	0	0
Lesser extent	4	12.9
Very less extent	0	0
No extent	0	0
Total	31	100.0

Table 7: Level of awareness

The respondents were further interrogated and said that they became aware of the existence of such services through television advertisements and road shows organized by individual banks to promote their products. It was found that this made many entrepreneurs to engage in agency banking business, thereby ensuring that the population is more aware of the availability of the services.

4.3. Further Findings

4.3.1. Banking Service Preferred

The respondents were asked which banking services, they mostly used at the banking agents. 64.52% of the respondents said they use agent banks to deposit money, 25.8% use it to check balance and 9.68% withdraw money from agents. This is presented in the table below.

Service	Frequency	Percent
Deposit money	20	64.52
Cash withdrawal	8	25.8
Checking balance	4	9.68
Paybills	0	0
Total	31	100.0

Table 8: services accessed through agency banking

The respondents who said they use agency banking to deposit money thought that doing so was mainly because of insecurity and they felt that it was better to transfer the burden of theft risks to the agents. Individual respondents were unanimous that because they buy stock from Kitale town, it would be easier and safer for them to withdraw money from their main banks in Kitale. This further meant that most businesses use agent banking services.

4.3.2 Age of the Respondents

Most respondents were aged above 26 years. Respondents were asked to select their ages. 24 respondents aged between 36-50 years representing a percentage of 77.42. 12.9% were aged between 26-35 years while the remaining 9.68% were aged above 50. These findings indicated that all businesses are owned by adults. The results are analysed in the table below.

Age	Frequency	Percentage
18-25	0	0
26-35	4	12.9
36-50	24	77.42
Above 50	3	9.68
TOTAL	31	100

Table 9: Age of respondents

4.3.3 Response to Statement on Agent Banking

The researcher wanted to measure the extent to which the respondents understood agent banking issues. 93.55% strongly agreed that agency banking generate new business opportunities to the entrepreneurs while 6.45% agreed. This is represented in the table 10.

Response	Frequency	Percentage
Strongly agree	29	93.55
Agreed	2	6.45
Neutral	0	0
Disagree	0	0
Strongly disagree	0	0
TOTAL	31	100

Table 10: Agent banking generate business opportunities

A statement on agent banking being very safe and secure was respondent to in the following fashion. None of the respondents thought that agency banking was very safe and secure. 45.16% were neutral on the issue, 9.68% agreed and 32.26% disagreed while 12.9% strongly disagreed.

The 9.68% who agreed that agency banking is safe and secure responded that they had not encountered any fraud so far. They also thought that it is easier to follow up with their banks in cases where any issues of transaction problems arise. Those who strongly disagreed on the issue of safety felt that it is easier to use their parent banking because the kinds of new technologies have their own issues which they should not be caught in.

The table 11 shows their responses.

Response	Frequency	Percentage
Strongly agree	0	0
Agreed	3	9.68
Neutral	14	45.16
Disagree	10	32.26
Strongly disagree	4	12.9
TOTAL	31	100

Table 11: Agent banking is very safe and secure

The third statement on agent banking was if agent banking was convenient. 61.29% of the respondents disagreed that it was convenient, 25.81% agreed while 12.9% were neutral. On further interrogation, those who disagreed cited issues such as unavailability of float at times. That sometimes the agents are not able to offer cash withdrawal services because they lack money and at other times they cannot offer cash deposits because they require people to withdraw first before they can accept deposits. This is represented in the table below.

Response	Frequency	Percentage
Strongly agree	0	0
Agreed	8	25.81
Neutral	4	12.9
Disagree	19	61.29
Strongly disagree	0	0
TOTAL	31	100

Table 12: Agent banking is convenient

Respondents were given a statement that one can access all banking services at these agent bankers. 58.06% of the respondents disagreed while 41.94% strongly disagreed. Respondents thought that they are not accessing all services as they would at their branches. They said, for example, that agent bankers do not accept cheques or deal in forex. Agents bankers do not give loans, not even financial advice.

Response	Frequency	Percentage
Strongly agree	0	0
Agreed	0	0
Neutral	0	0
Disagree	18	58.06
Strongly disagree	13	41.94
TOTAL	31	100

Table 13: Access all services as with the main bank

5. Summary, Conclusions and Recommendations

5.1. Introduction

This study sought to answer the following research questions: first, do the costs of transaction influence use of agency banking among entrepreneurs? Second, does level of education influence the use of agency banking among entrepreneurs? And lastly, to what extent does awareness affect the use of agency banking among entrepreneurs in West Pokot Sub-County? The findings of this study have answered these questions adequately. This chapter looks at the summary, conclusions and recommendations concerning the research findings.

5.2. Summary of Findings

Based on the first objective, it was found out that casts affect the use of agency banking, however the costs of transactions did not quite influence its use but other costs such as travelling.

Based on the second objective, the level of education does not affect the use of agency banking. This was supported by the chi-square test which confirmed no statistical significance between education and use of agency banking.

Awareness about the existence of the agency banking services was found to have played a significant role in influencing the use of agency banking.

The most used agent banking services were found to be depositing money. Checking balance and withdrawals were found to be less used.

Most respondents were found to be aged between 26-35 years. It was also found that agent banking generates new business opportunities and it was convenient.

Lastly, respondents were unanimous that one cannot access all the banking services like they would at the main banks.

5.3. Conclusions

The following conclusions can be drawn from this study. First, that costs affect the use of agency banking.

Secondly, education level does not have a significant role in influencing the use of agent banking services.

Thirdly, awareness played an important role in influencing the use of agency banking.

Lastly, respondents disagreed that they can access all the banking services at the agent bankers.

5.4. Recommendations

From the conclusions, the following two recommendations are made. First, there is a need for the banks that offer agency banking services to expand on the services they offer. This will ensure that the needs of most residents are met.

And second, the issues of lack of float should be addressed. People should be able to withdraw or deposit money whenever they want to ensure that the agent banks are convenient. May be the main banks should license agents that have the financial muscle that cannot limit conducting transactions.

5.4.1. Areas for Further Research

I recommend further research on; first, the use of agent services such as M-PESA and their cost implications to the user of this kind of agency.

And, secondly, further research should be done on the sustainability of agent banking in the long-run, especially as banks are increasing their branch networks to reach areas that were only served by agent banks.

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7. List of Abbreviations

- AFS : Agency Financial Services
- ATM : Automatic Teller Machine
- CBK : Central Bank of Kenya
- IFC : International Financial Corporation
- KCB : Kenya commercial bank
- POS : Point of sale
- Saccos : Savings and Credit Cooperative Societies
- TAM : Technology Acceptable Model
- USAID : United States Agency for International Development

8. Definition of Terms

- Bankika – A mobile banking services offered by Kenya Commercial bank limited (www.kcbbankgroup.com)
- Benk yangu - An agency banking services offered by post bank (Akello, 2013).
- CO-OP kwa Jirani - Agency banking services offered by the Cooperative bank of Kenya. (Bizweekly.co.ke)
- Equity mashinani - Agency banking services offered by Equity bank limited (equitybank.co.ke)
- MPESA - Mobile money transfer services offered by Safaricom Limited. (safaricom.com)

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APPENDICES
APPENDIX ONE: QUESTIONNAIRE

INSTRUCTIONS

A. Do not write your name in this questionnaire whatsoever.
B. Respond to all questions appropriately.

1. State your gender?
   Male [ ] Female [ ]

2. State your age. (tick appropriately)
   18- 25 [ ] 26- 35 [ ] 36- 50 [ ] Above 50 [ ]

3. Select by ticking appropriately your level of education.
   Primary [ ] Secondary [ ] Tertiary [ ]

Other (specify)…………………………………………………………………..

4. State the number of years you have been in business.

…………………………………………………………………………………….

5. Do you have a bank account?
   Yes [ ] No [ ]

6. a) Do you use agency banking for your business?
   Yes [ ] No [ ]
   b) If yes, which banking service do you prefer to access through agency banking.
   Deposit Money [ ] Cash withdrawal [ ] Check balance [ ] Pay bills [ ]

7. To what extent do you agree or disagree that the level of awareness about agency banking has influenced the use of agency banking?
   To a very great extent 5
   To a great extent 4
   To a lesser extent 3
   To a very less extent 2
   To no extent 1

8. Do you agree that education level affects the use of agency banking?
   Strongly agree 5
   Agree 4
   Neutral 3
   Disagree 2
   Strongly disagree 1

9. In what ways does the cost of transactions affect the use of agency banking?

………
……

10. The statements given below concern issues on agency banking. Please indicate the extent to which you agree or disagree to each statement. (tick appropriately)

#	Statements about agent banking	SA	A	N	D	SD
A.	Generates new business opportunities to entrepreneurs					
B.	It is very safe and secure					
C.	It is convenient					
D.	One can access all services as with the main bank					

Key: SA = Strongly Agree, A = Agree, N = Neutral, D = Disagree and SD = Strongly Disagree